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Canada Royal commission on transportation.

Hearings. 5.8-10. 1959.

1961

**ROYAL COMMISSION
ON
TRANSPORTATION**

HEARINGS

HELD AT

ST. JOHN'S

Nfld.

VOLUME No:

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TORONTO, ONTARIO

ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the Legislative Chambers, at St. John's, Newfoundland, on the 17th day of November, 1959, at 10:00 a.m.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming.

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of Honourable
C. P. McTague, Q.C., Mr. M. A.
MacPherson, Q.C. presided.



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THE ACTING CHAIRMAN: Well, gentlemen, we will come to order, please.

My first word to you must be one of regret that our very distinguished chairman, Mr. McTague, was not able to come to the Atlantic provinces. I have a letter from him that was waiting for me last night, indicating that he is now out of hospital and we expect and hope that he will join us in Ottawa next month.

Those of us who are on the Commission knew full well that in transportation matters there were very many difficult and complex problems, but we didn't realize that the half had not been told. However, having been at Halifax, Charlottetown and Fredericton we have some idea of what is contained in the task that has been assigned to us. I don't know that we can promise you anything other than the most serious consideration of all the problems you present to us.

I have worked with these gentlemen now for a period of weeks and I realize that every one of them on the Commission is a dedicated man, and we are trying, and will try, our best to solve problems and to catch up with what the signs of progress are doing for us.

Now, I think, so that you may all know just what our limitations are, as a Commission, I will ask the Secretary to read the terms of reference from the



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Order in Council.

Mr. Anderson?

THE SECRETARY:

"Commission under Part I of the Inquiries Act,
"appointing The Honourable Charles P. McTague,
"Herbert Anscomb et al, Commissioners to inquire
"into and report upon the problems relating to
"railway transportation in Canada.

"Dated 8th June, 1959.

"Recorded 8th June, 1959.

"Film 83 Document 263.

(Signed) "H. W. Doyle"

for Registrar General of Canada.

"Refer. No. 158803."

"

Vincent Massey

"

CANADA

"ELIZABETH THE SECOND, by the Grace of God of
"the United Kingdom, Canada and Her other Realms
"and Territories QUEEN, Head of the Commonwealth,
"Defender of the Faith.

"W. R. Jackett

"DEPUTY ATTORNEY GENERAL,
CANADA"



" TO ALL TO WHOM these Presents shall come
"or whom the same may in anywise concern,

GREETING:

"WHEREAS pursuant to the provisions of Part I
"of the Inquiries Act, chapter 154 of the Revised
"Statutes of Canada, 1952, His Excellency the
"Governor in Council, by Order P.C. 1959-577 of the
"thirteenth day of May, in the year of Our Lord
"one thousand nine hundred and fifty-nine, a copy
"of which is hereto annexed, has authorized the
"appointment of Our Commissioners therein and here-
"inafter named to examine and make recommendations
"upon

- "(a) inequities in the freight rate structure,
their incidence upon the various regions of
Canada and the legislative and other changes
that can and should be made, in furtherance
of national economic policy, to remove or
alleviate such inequities;
- "(b) the obligations and limitations imposed upon
railways by law for reasons of public policy,
and what can and should be done to ensure a
more equitable distribution of any burden
which may be found to result therefrom;
- "(c) the possibilities of achieving more economi-
cal and efficient railway transportation;
- "(d) whether, and to what extent, the Railway Act
should specify what assets and earnings of





railway companies in businesses and investments other than railways should be taken into account in establishing freight rates; and

"(e) such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry,
"and has conferred certain rights, powers and
"privileges upon Our said Commissioners as will by
"reference to the said Order more fully appear,
"
" NOW KNOW YE that, by and with the advice of
"Our Privy Council for Canada, we do by these
"Presents nominate, constitute and appoint Herbert
"Anscomb, Esquire, of the City of Victoria, in
"the Province of British Columbia; Archibald H.
"Balch, Esquire, of the City of Ottawa, in the
"Province of Ontario; Rene Gobeil, Esquire, of
"the City of Quebec, in the Province of Quebec;
"Murdoch Alexander MacPherson, Esquire, Q.C., of
"the City of Regina, in the Province of Saskatchewan;
"Howard Mann, Esquire, of the City of Moncton,
"in the Province of New Brunswick; Honourable
"Charles P. McTague, of the City of Toronto, in
"the Province of Ontario; and Arnold Platt,
"Esquire, of the City of Lethbridge, in the Province of Alberta, to be Our Commissioners to
"conduct such inquiry.

"
" TO HAVE, hold, exercise and enjoy the said



"office, place and trust unto the said Herbert
"Anscomb, Archibald H. Balch, Rene Gobeil, Murdoch
"Alexander MacPherson, Howard Mann, Charles P.
"McTague and Arnold Platt, together with the rights,
"powers, privileges and emoluments unto the said
"office, place and trust of right and by law apper-
"taining during Our pleasure.

" AND WE DO hereby direct that the scope of
"this Commission shall not extend to the perfor-
"mance of functions which under the Railway Act are
"within the exclusive jurisdiction of the Board
"of Transport Commissioners.

" AND WE DO hereby authorize Our said Commis-
"sioners to exercise all the powers conferred upon
"them by section 11 of the Inquiries Act and be
"assisted to the fullest extent by government de-
"partments and agencies.

" AND WE DO hereby authorize Our said Commis-
"sioners to adopt such procedure and methods as
"they may from time to time deem expedient for the
"proper conduct of the inquiry and sit at such
"times and at such places in Canada as they may
"decide from time to time.

" AND WE DO hereby authorize Our said Commis-
"sioners to engage the services of such counsel,
"staff and technical advisers as they may require
"at rates of remuneration and reimbursement to be
"approved by the Treasury Board.



" AND WE DO hereby require and direct Our said
"Commissioners to report their findings to Our
"Governor in Council.

" AND WE FURTHER appoint the Honourable Charles
"P. McTague to be Chairman of Our said Commissioners.

" IN TESTIMONY WHEREOF We have caused these Our
"Letters to be made Patent and the Great Seal of
"Canada to be hereunto affixed.

"WITNESS: Our Right Trusty and Well-beloved
Counsellor, Vincent Massey, Member of Our
Order of the Companions of Honour, Governor
General and Commander-in-Chief of Canada.

" AT OUR GOVERNMENT HOUSE, in Our City of Ottawa,
"this eighth day of June in the year of Our Lord
"one thousand nine hundred and fifty-nine and in
"the eighth year of Our Reign.

BY COMMAND,

(Signed) "C. Stein"

UNDER SECRETARY OF STATE"

THE ACTING CHAIRMAN: Gentlemen, so that
you may know who the members of the Commission are and
where they come from, we have Mr. Balch from the City
of Ottawa; Mr. Gobeil from Quebec; Mr. Anscomb from
Victoria; Mr. Mann, who needs no introduction to you,
from Moncton; and Mr. Platt from Lethbridge, Alberta.
I come from the City of Regina, but I was born and
raised in the Island of Cape Breton, so I wasn't far
from Newfoundland.



Now, gentlemen, if we might have the appearances, please.

MR. LEWIS: Mr. Chairman, I appear for the Province of Newfoundland. Associated with me is Mr. D. J. Adams.

THE ACTING CHAIRMAN: Any other appearances?

MR. SMITH: I appear for the Maritimes Transportation Commission.

MR. DICKEY: I appear for Canadian Trucking Associations Incorporated.

MR. D. HUNT: I appear for the Newfoundland Shipping Industry.

MR. BRENN: I appear for the Longshoremen's Protective Union.

THE ACTING CHAIRMAN: Now, these are all the appearances.

We are delighted to have the Premier of the Province here this morning and so many of his government. It indicates a real interest in the problems that we are considering as well as the interest of the people themselves.

I have much pleasure in asking the Prime Minister to speak to us.

PREMIER SMALLWOOD: My Lords, my first duty, and it is more than a duty - it is a distinct pleasure - is to welcome you to Newfoundland. Some of you it is welcoming you again because this is not



your first visit here.

I wish that we could have offered you the kind of pleasant weather we always have here except when the mainland of Canada gets rid of its dirty weather and sends it to us.

A friend of mine came here yesterday from Halifax - flew in - and he left the foulest possible weather behind and found suitable sunshine on his arrival here. That happens so very, very often. Unfortunately, the next day it is always bad weather, because the weather that is bad in Halifax today is usually bad in St. John's tomorrow; they send it down here.

I am sorry the permanent chairman of the Commission is not with us, but that gives me the opportunity all the more to welcome the Deputy Chairman, because it brings back old times to me to see you here - to see you anywhere. When we went to Ottawa eleven years ago, or nearly twelve years ago - quite twelve years ago - in the first instance to discuss with the Government of Canada whether Federal Unions of Newfoundland and Canada might be feasible, whether fair and equitable terms might exist for that union, we spent some three months in Ottawa and I remember distinctly that you were one of those whom we met there at that time. We quickly learned that you were a capable planner, that you had more or less been born amongst New-



foundlanders - at Cape Breton - that you had been at Dalhousie with other Newfoundlanders and that you were now in Saskatchewan and that you did not have the conventional and ordinary and sometimes almost complacent view of Confederation found in certain other parts of Canada that are not represented here at this Royal Commission today.

Mr. Anscomb, the former Deputy Premier of British Columbia, the former leader of one of the great parties of that great province, came here once in that capacity. He came on that other visit to present to the Legislature in the other Chamber through the wall there what must, possibly, be the most beautiful and, certainly it is admitted, one of the most costly of maces possessed by any Legislature, perhaps, in the British Commonwealth. Mr. Anscomb was kind enough at that time to address the Legislature, and he was an extremely welcome figure. I know that he is a warm friend of Newfoundland, and we need friends so badly down here.

One of the other Commissioners, Mr. Mann, has been very closely associated with Newfoundland for a number of years past; so that I think we may feel that this province has good friends on the Commission.

Now, so far as the Commissioner from Quebec is concerned, he comes from a province which is the only province in Canada of the nine of them with which



this Province of Newfoundland is contiguous.

The Province of Newfoundland is separated from the Province of Quebec by a boundary that hasn't even, as yet, got marks entered into the ground, but the two provinces are contiguous. There has been some little doubt in all of us as to where these marks should be put. But it is the only province in Canada that actually physically touches the Province of Newfoundland. I am sure, with all these distinguished citizens on this Royal Commission, we will get nothing but a high-minded, patriotic approach to this problem.

I seem to have spent most of my time these past ten years appearing before Royal Commissions that came down here to Newfoundland. We have had a long procession of Royal Commissions appointed by the Government of Canada to study this or that problem of Canada, and most of them, if not all, have come to Newfoundland. I sometimes think that the appointment of these Royal Commissions by the Government of Canada - any Government of Canada - is one way of making the provinces spend the money that Ottawa gives us. On the one hand it pays millions to us and, on the other, it creates Royal Commissions, participation in which by us costs us almost all the money they give us with the other hand.

It is rather encouraging to us to find



three Commissioners who are Maritimers - the distinguished gentleman from British Columbia, being, of course, a Maritime Province of Canada; the distinguished Commissioner from Quebec, which is no less a Maritime Province - as we were reminded the other day by Brigadier Wardell who invited his province to join with the Atlantic provinces; and the Deputy Chairman who, though now, for the moment, residing in Saskatchewan, is in fact, and must always be, a Maritimer from Cape Breton.

Once again there comes up the hope - the hope - a hope which has grown rather dim - that somebody in Canada, somebody in authority, will do something to give reality to the idea that Confederation, the Federal Union of ten countries, of ten British countries - ten British Dominions, or ten British colonies - can be made to work in such a way that it won't be a case always of "feeding the fat sow." So that all ten of them can have their little place in the sun.

We are often told that the very idea of uniting the ten British Colonies across the northern half of this continent into one country is crazy and unsound; that what ought to have been done was to unite vertically rather than horizontally - up and down rather than across - north-south rather than east-west. We who have been in the union for only ten years sometimes wonder if that hasn't got a very



great element of truth in it. I suppose, if you go nearer to the centre of Canada, that idea will appear less, and seem to be less, sound; and I am quite sure that the people in Ontario and Quebec have no doubt at all of the soundness of the idea of uniting east-and-west, of having the union run across the country from east to west, or from Ontario west and from Ontario east. But if you live in Newfoundland which is an island except in Labrador where we touch Quebec you are nearer here in St. John's to London, to Berlin, to Paris, to Stockholm, than you are to Commissioner Anscomb's beautiful City of Victoria. You can go now from Gander to London much quicker than you can go to Ottawa by air. This is a very big nation this Canada, and if God has placed you right out at the extreme end of it, unless you are a British Columbian, you are subjected to obstacles in the way of your development; obstacles in the way of economic integration with Canada, which is a thing far more difficult to accept than mere constitution or politic integration.



The obstacles appear at times to be insupportable. Now, there is nothing in the law of Canada and there is certainly nothing in the Constitution that says that the half million people in Newfoundland shall not have equal rights with the four or five million people of Ontario or the four or five million people of Quebec, which appears to be the bread-basket or the manufacturing shop of Canada. We have as much constitution as any other province.

Anatole France, you will remember, said that, "The law in its majestic quality, forbids the millionaire and the pauper alike from sleeping on the public bridges in Paris." The bridges crossing the Seine are very numerous and the down-and-outs, I am told, used to sleep under those bridges, and it was forbidden to the millionaire and to the pauper alike. So, we have equality with Ontario constitutionally, and in my view except insofar as the tariff of Canada is a law and except insofar as the Board of Transport Commissioners passes rates for transport, and except insofar as the Parliament of Canada passes laws governing railroads, but not only insofar as those laws are concerned we have equality with the people of Ontario to build a Newfoundland economically, to build a Newfoundland so that her people can have a half decent standard of living and so that we will have roads to begin with and so that these roads will be half decent, so that we will have a fair standard



of private living and a fair standard of public services, but we have not got that.

Now, I notice that in "A" - and I confess that this is the first time I have read these terms of reference was this morning when your Secretary read them aloud and I followed them as he read them - it says, "inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;".

There may be a powerful case to be made for the removing of the people from Newfoundland, and the people of Nova Scotia and New Brunswick and Prince Edward Island to Quebec and Ontario; there may be a powerful case for that in sheer cold blooded, unemotional and unsentimental economics. Unfortunately, countries are not built on unemotional and unsentimental economics, but countries are built on sheer emotion. The idea of unwholesome nationality is an emotion, and we down here in Newfoundland would rather live here, almost on a meal a day, than anywhere else in the world. It is our country; it is where we were born; it is where our children are and our grandchildren. We just couldn't bear the thought of Newfoundland ceasing to exist, although even when I travel around and see the beautiful climates and the beautiful views of scenery in the other



parts of the world, you wonder why all the world doesn't go there and live, and here we are in a province of Canada and the people are not going to be lifted up and taken to Ontario. Here are the four Maritime provinces, the Atlantic provinces, and we are part of Canada. Canada is either going to be a nation or she is not; if she is going to be a nation she can't have a great open space east of Point Levis, which is the point that separates Quebec from all east of Quebec, all east of that country. If Canada is going to be a country, then somebody in authority has got to do something and perhaps somebody has got to recommend something. Somebody has to find the solution, and you honourable gentlemen may be the ones. Certainly in paragraph (a) of the terms of references the task seems to be given to you, and no one in Canada will hope more for your success than we do here in Newfoundland.

We are so anxious to be Canadians; we are so anxious to be good Canadians; we are so anxious to make the union of Newfoundland and Canada a success.

If your lordships come here, being natives of Canada and not new Canadians as we are, if you come here being confident Canadians, main land Canadians with any idea in your minds that you come from a great country that just took over Newfoundland, that absorbed Newfoundland, let me remind you that that is not what happened. What happened is that this small Dominion



of the British Commonwealth, Newfoundland - compared with which Canada was born the day before yesterday, because we are the oldest part of the Commonwealth, of the Empire and that is where it all began, in this City . . . where the British flag was first put up in history outside of Britain. This is the original British Colony, the initial one, the first of Britain overseas. We have been continuously - not continually, but continuously - from 1497 a great but small British Dominion which enquired of a large British Dominion, namely Canada, whether that great and large British Dominion would be interested in a small but great British Dominion uniting for the two of them to form a new country, because what was born in 1949 was an entirely new country, the country that was born just before the stroke of midnight on March 31, 1949. It was a new country; it was a new country with the same name. Canada didn't take over Newfoundland any more than Newfoundland took over Canada. It was a case of two British countries agreeing on terms that had been agreed to unite into one, and as such we are most anxious for the success of this.

So far as I personally am concerned, if I may be allowed a personal word, it would be a great humiliation for me if I in a rather public and a rather prominent way advocated that this country and Canada go on to unite and form a new country, it



would be very humiliating for me if it didn't work out, if it didn't succeed, if the Newfoundland people were not apparently happy with that.

You gentlemen as great public men of Canada will have a magnificent opportunity to serve this great original idea of the thought of federation with a great British land.- not all British, but British in ideals and traditions and techniques and systems of government, British in that sense; the idea of a great British nation stretching from the Atlantic to the Pacific and flourishing strong, wholesome in all its parts, to bring us prosperity and health in all its parts. That is a great task and in a way you are to be envied because no Royal Commission - as I have lately found - no Royal Commissioners in Canada are to be envied because their recommendations are not always accepted or acted upon and I do hope that this will be a Royal Commission altogether an exception in that regard.

Now, meanwhile speaking for all our people in this land, I want to say that you are as welcome as the flowers in May and we are with you one thousand per cent and we want you to succeed and want you to have a happy visit here in Newfoundland.

THE ACTING CHAIRMAN: Well, Mr. Premier, we very much appreciate the warmth of your welcome, and if we had not realized before the responsibility that rests on us, you made it crystal clear.



I think I should say this to you, that the approach, I think, of every individual member of this Commission to the problems before it is as a Canadian, wherever he may reside temporarily in the Dominion of Canada. I like to think that it is like when we were in the great wars, one and two, that it didn't matter where you came from; if you wore a maple leaf you were a Canadian and you were of the same ilk.

We don't regard in any way that Canada took over Newfoundland; union is the word, union is the term; a union of equals, and as such we approach the problems. You are a part of this country and it is far flung and it is a great country and there is no greater country in the world to live in than this country that we live in. We may have our differences, we will have them, but we will live in freedom and liberty and get along together.

I know so well of your own personal feelings in this country because I well remember the day we spent in the Thousand Islands; you will remember that date, driving from Ottawa before Newfoundland was united to Canada but when I knew you had a dream for your ancient Dominion and a dream that we, I hope in some measure, will help to make come true.

Thank you very much again on behalf of the Commission.

Now, do you have a submission, Mr. Lewis?

MR. LEWIS: Mr. Chairman and gentlemen,



it is my privilege to read into the record the submission of the Government of the Province of Newfoundland.

MR. COOPER: Before Mr. Lewis commences reading this submission, may I just say that this submission of the Government of the Province of Newfoundland will be Exhibit 38, and I might also say that the addenda to the submission of the Government of the province will be Exhibit 38 (a).

---EXHIBIT NO. 38: Submission of the Government of the Province of Newfoundland.

---EXHIBIT NO. 38(a): Addenda to the submission of the Government of the Province of Newfoundland.



SUBMISSION OF THE GOVERNMENT OF THE
PROVINCE OF NEWFOUNDLAND

APPEARANCE: Mr. Lewis.

The geographical insularity of Newfoundland propounds great problems in relation to transportation. The Cabot Strait which separates Newfoundland from Cape Breton is ninety-eight miles in width. The railway system which serves Newfoundland is narrow gauged. These two factors combined constitute great obstacles towards integration of the Mainland system of transportation with that existing in Newfoundland. The physical disparities are so great that we cannot aspire to have a transportation system comparable with that prevailing throughout the Mainland area.

Great improvements however, have been effected since 1949. Large capital expenditures aggregating, we are told, eighty million dollars, have been made. The roadbed has been improved. Heavier rerailing is taking place. New and modern rolling-stock has been added. The motive power has been completely dieselized. A modern motor-ferry, the "William Carson," has been provided for operation between North Sydney and Port-aux-Basques. Modern freight and wharfage facilities have been provided also at North Sydney and Port-aux-Basques. Daily passenger-trains are operating across the country and



they are running on time. Fast freights for the movement of perishable goods and express matter are also operated on a daily schedule. Carload lots are moving satisfactory to the trade, and the Service has been improved generally to a very great extent.

It is conceded that the Railway is doing a very excellent job, having regard to conditions, climatic and otherwise.

Notwithstanding what has been accomplished, Newfoundland is still far behind transportationwise the prevailing standards in the neighbouring Mainland Maritime regions, and while comparable conditions represent the ideal, our people will settle for such improvements in existing facilities as will most nearly equate the transportation facilities available to our Mainland neighbours.

ECONOMIC STRUCTURE OF NEWFOUNDLAND

The economic structure of Newfoundland is based upon primary industry. Her earning capacity flows from the exploitation and development of the forests, the fisheries and the mines. Her export trade is carried on almost exclusively with countries outside Canada. In fact, ninety percent of our exports go to foreign markets. Conversely, our imports, which comprise chiefly consumable goods notable foodstuffs, textiles and household equipment, must be purchased outside the Province. Because of Canadian fiscal policy markets in the United Kingdom



and the United States of America, which were formerly available to the Newfoundland purchaser, are now debarred to him. This Province constitutes a captive market for Mainland business interests, and as a consequence Newfoundland ranks third amongst Canadian sources of outlet for Canadian products. Her overall purchases from the Canadian markets have been estimated in the vicinity of three hundred million dollars per annum.

Since the requirements of the Province must be purchased in the Mainland markets, the transportation of these goods and the distribution over the Island, are factors of major importance in the economy of the Island and its people.

Since 1949, the balance of import trade formerly in favour of the United States, has shifted to Canada, and as a result our people have become more and more dependent upon railway facilities for the moving into the Island of the essential products which make up the necessities of life.

Because of the Island's position on the eastern perimeter of the Canadian Mainland, its distance from the central areas of Canada, from which the great bulk of its purchases are obtained, the incidence of freight rate charges bears most heavily upon our people. The cost of living is higher in Newfoundland than in any other part of Canada. Personal income is lower. The latest figures supplied



by the Dominion Bureau of Statistics, established the average personal income of Canadians generally at \$1,350.00 and the average personal income of Newfoundland citizens at \$755.00. (A survey of the comparative cost of living position as between Newfoundland and the Mainland Maritimes, is attached herewith). This document authenticates the foregoing statement. It is clear from this study that the people of this Island are least capable of bearing the highest burden of freight rates.

MEDIA OF TRANSPORTATION

Newfoundland being an Island she has available to her, in addition to other means of transportation, water routes. Thus in order of importance, the media of transportation available to the Province may be listed as follows

- (1) Rail
- (2) Water
- (3) Air

The water route is availed of substantially for the movement of traffic from Great Lake and River ports to Newfoundland points, from Halifax and St. John's to St. John's and Conception Bay ports.

The water carriers engaged in this service make a great contribution towards the movement of traffic into Newfoundland. We are advised by representatives of the shipping interests engaged in this business that the total movement by water into Newfoundland from



mainland points, on an annual basis, aggregates 250,000 tons. This, of course, is exclusive of bulk movements.

The water carriers supplement the railway service and provide a medium of transportation vitally necessary to the needs of the Province. In fact, the railway as constituted cannot meet the need which the traffic into this Province requires at peak seasons. There can be no question as to the essential and necessary service performed by water carriers. The continuance of the water carriers in the Newfoundland transportation system is vital to the Province; without them the entire economy of Newfoundland would be threatened seriously. Until such time as the railway facilities are developed to the extent where all traffic destined to Newfoundland can be moved by that means, the water carrier facilities must be maintained.

One very important effect flowing from the operation of the water carrier system is the creation by the railway of a system of competitive rates effective on traffic originating at points west of Montreal and destined to limited points in Newfoundland. This competitive rate operates over an extensive area of traffic, it embraces particularly canned goods shipments which form a substantial part of the foodstuff movement into this Province.

These competitive rates are in effect during



the summer season, or throughout that period of the year when navigation into the Great Lake and River area may be carried on. During this period, and when the competitive rates are in effect, there is a differential of 25% on an average below the winter all-rail rates effective on commodities moving under the competitive rate pattern.

FREIGHT RATE STRUCTURE IN EFFECT IN NEWFOUNDLAND

In March 1951 the Board of Transport Commissioners, following upon representations made before that body by the Province of Newfoundland, ordered that the freight rate structure in effect in relation to Mainland Maritime regions, as at April 1, 1949, was to be made applicable to all traffic movements within, into and out of the Province of Newfoundland. This decision was an implementation of Term 32 of the Terms of Union between Canada and Newfoundland. It was a declaration in judicial form of the constitutional right of the Province in relation to freight rates applicable to traffic moving into, within and out of the Province of Newfoundland following the consummation of Confederation.

This decision was received very favourably by the Newfoundland people and since then the same pattern of rates has been made applicable to the Province. However, subsequent to 1951, and the implementation of the ruling of the Board of Transport Commissioners, successive increases in freight rates



generally have been authorized by the Board of Transport Commissioners on a horizontal basis. These increases have, of course, been made effective in Newfoundland and they have produced as a result an up-surge in the landed cost of goods into this Province.

Annexed to this brief is an exhibit showing the comparative rates in effect on traffic moving into the Province as at March 1, 1951 compared with the rates in effect on similar traffic on a like movement as at March 1, 1959. This exhibit demonstrates the over-all increase effected in relation to eastbound traffic since 1951.

Because of Newfoundland's geographical insularity, and the long-haul mileage involved in the movement of traffic from the Lake area and Montreal to Newfoundland points, the horizontal increases in freight rates have borne most heavily upon the Province. The increases in freight rate charges have reflected themselves in the cost of living as is shown by the survey to which reference has already been made.

Since horizontal increases in freight costs bear so heavily upon the people of Newfoundland, it is suggested that other methods of meeting the repeated demands of the railways for increased freight rates be evolved. In this connection Newfoundland supports the submission of the Maritimes Transportation Commission in its recommendations in this regard; unless some alternative method is used for increasing revenue



to the railways, the consequences to the people of this Province of continued railway freight rate increases will be serious and almost catastrophic.

AGREED CHARGES

The policy of negotiating agreed charges has become of almost universal frequency within recent months and in certain specialized areas. This observation applies particularly, to those sections of Canada where competitive factors to railway movements are developed to such an extent that they constitute a threat to the railways as alternative agencies for the movement of traffic.

This position does not obtain in Newfoundland except to a limited degree. This is so, because facilities for transportation of goods are either lacking or inferior to the standards obtaining on the Mainland. The highway system in Newfoundland is below Mainland standards, both from the standpoint of mileage per capita and from the angle of efficiency and development. In fact Newfoundland's highways system is of comparatively recent growth---paved surface is very limited, her road system is almost entirely of gravel structure, her bridges are limited as to weight capacity and the roads are generally narrow and heavily curved. Because of this restriction the distribution of goods throughout the Province in winter months is performed entirely by the railway, and during the summer months substantially by the railway and coastwise carriers.



Therefore because of the dependence of the Province upon the railway facilities almost exclusively, the opportunity to negotiate agreed charges is neither available to, or availed of, to anything like the same degree as in Mainland areas. This produces the result that the movement of goods within, into and out of the Province must bear the full impact of regular freight rate charges.

EASTBOUND RATES

It has already been stated that Newfoundland is a captive market for Mainland producers and manufacturers. Over 90% of her requirements are purchased in the Canadian Mainland market and the goods so purchased must be moved into this Province either by rail or water. The principal gateway into Newfoundland from Mainland points is the railway connection at North Sydney to Port-aux-Basques. At April 1, 1949, the total movement of package freight moving through North Sydney to Newfoundland points was 65,727 tons. The total movement from January 1 to September 30, 1959 was 183,338 tons. By the end of the present year this figure will approximate 300,000 tons. This volume of traffic moving into the Province is subject to the eastbound rates effective over "Eastern Lines" in accordance with the structure approved by the Board of Transport Commissioners in 1951. The impact of this freight rate charge upon the consumers in Newfoundland has already been dis-



cussed. It is now suggested that because of the special features obtaining in relation to Newfoundland traffic and its people, some alleviation should be provided against the impact of freight rates costs.

This alleviation suggests itself in making applicable to all eastbound movements into Newfoundland on all all-year-round basis the competitive rate structure now in effect on summer movements from the Great Lake area west of Montreal. The application of such a formula to eastbound movements would produce a reduction of 25% approximately on the rates chargeable to goods moving into Newfoundland under the competitive rate. By adopting this formula the freight rate structure already in force over the Maritime region would be unaffected. The statutory rates would remain untouched. No direct subsidization would be involved. The formula would be in keeping with that already in effect by the railways in relation to summer movement.



NEWFOUNDLAND GROUPINGS

The freight rate structure applicable to traffic eastbound from Mainland points west of Daimond Junction into Newfoundland is constructed over the Newfoundland Division on a four-group basis, beginning at North Sydney and terminating at St. John's. The grouping points are:

Port-aux-Basques

Humbermouth

Bishop's Falls, and

St. John's

The North Sydney - Port-aux-Basques group has been constituted to absorb to some extent the handling costs involved in the transshipment of cargo from North Sydney to Port-aux-Basques. This is an expensive process and the railway has endeavoured to recoup some of the expenditure incidental to this movement. It must be pointed out, however, that under Term 32 of the Terms of Union, the movement of traffic from North Sydney to Port-aux-Basques constitutes an all-rail movement and the handling costs incidental to this operation cannot be taken into account in fabricating a freight rate system applicable to Newfoundland. (See the remarks of the Hon. Mr. Chevrier, Minister of Transport, during the debate on the Maritime Freight Rate Amendments Act, Page 618, Volume 88, wherein he stated as follows: "The same situation existing with respect to the water



service now carried on via the car ferry between Mulgrave and Point Tupper - that is the rates between the rest of Canada and Cape Breton are on the through-rail basis"). Further, the water gap between North Sydney and Port-aux-Basques for railway purposes is really a bridge. Neither North Sydney nor Port-aux-Basques generate or receive traffic and thus neither point is a legitimate basis for the establishment of a grouping. It is therefore suggested that the Port-aux-Basques - North Sydney group be eliminated insofar as eastbound movements are concerned. This would give the Province the benefit of a three-group structure instead of four as at present. It would help to alleviate to some extent the impact of freight charges on inbound traffic.

By making the competitive summer rates apply to Newfoundland generally on an all-year-round basis, and by eliminating the Port-aux-Basques group, real benefit would result to the Newfoundland consumer.

Some amelioration must be found to relieve the impact of long-haul freight rates on essential consumables moved into this Province. The alternative is to suggest either direct subvention on eastbound movement or special legislative amendments to statutory rates which could operate detrimentally upon other sections of the Maritime regions. Newfoundland is reluctant to suggest either of the latter courses but prefers to request relief within the four corners of the



prevailing system of the freight rate structure.

LOCAL RATES WITH PARTICULAR REFERENCE TO PRODUCERS OF
AGRICULTURAL PRODUCTS AND LIVESTOCK WITHIN NEWFOUNDLAND

An anomalous position exists in relation to the movement of locally produced agricultural products and livestock within Newfoundland. Substantial quantities of agricultural products are produced in the West Coast areas of the Island, notably the Codroy Valley. This production is available for shipment and sale in Central and East Coast Newfoundland markets.

Prince Edward Island is a large supplier of agricultural produce and livestock to the Newfoundland market. The trade between Newfoundland and Prince Edward Island has existed for many years and the relationship engendered between the areas as a result has always been affable. Because of the inability of Newfoundland to produce her requirements in this regard our people will continue to rely upon the Prince Edward Island market to a large extent for their supplies.

A steamship service has been established for the movement of agricultural products from the Province of Prince Edward Island and points in Newfoundland. This system of transportation enjoys a joint subsidy paid by the Federal Government and the Government of Prince Edward Island in varying proportions. While the result of this subsidized steamship transportation service produces a rate for the movement of



agricultural products at a level substantially below the local rate available to local farmers from the Canadian National Railways with corresponding advantages to the Newfoundland consumers, the local farmer is seriously handicapped by this rate differential. In fact, it is accepted that having regard to the prevailing rates and the competitive water rate he is debarred from the local market.

It has been represented that the differential existing in favour of outside producers should be equalized by a corresponding reduction in railway rates to the Newfoundland farmer. This should take the form of a competitive rate comparable to that now being charged for the water movement from Prince Edward Island to points in Newfoundland. If this policy is followed the local farmer would be put on a basis comparable with the Prince Edward Island producer and he would be given an equal opportunity to compete in the local market available on the East Coast of the Island.

A brief has been prepared on behalf of local farmers and it is annexed hereto as an addendum to this submission. The attention and sympathetic consideration of this Commission is respectfully drawn to this brief.

The application of a competitive rate such as suggested in this section would have the double advantage of assisting the local producer to compete



with the outside farmer and at the same time encourage the expansion of agricultural production and livestock raising within the Province, an objective which is highly desirable.

FEED GRAIN ASSISTANCE ACT

In view of the fact that there is little or no grain produced in Newfoundland the matter of feed grain assistance rates is of primary importance to our producers of poultry, livestock and local farmers. Under the prevailing system the rates applicable to grain and grain products are imposed on a temporary basis. Because of the instability in the rate structure local farmers suffer a disadvantage from this fact. It is recommended that the feed grain assistance rates be established on a permanent basis so that the local producer may be in a position to budget with confidence against his prospective expenditure over a definite period.

HANDICAPS UNDER WHICH MANUFACTURERS IN NEWFOUNDLAND OPERATE

The geographical distance of the manufacturer in Newfoundland from his source of raw materials and his market for his finished product constitutes a serious handicap to him and an advantage in favour of his Mainland competitor. Raw materials required for the fabrication of his finished product have to be transported many additional miles to his plant site and the cost of transportation involved in this movement is a serious factor in the ultimate cost of his manufactured



product. Then again the movement of the finished article from his plant into the Mainland market is subject to heavy freight charges which aggravate the handicap under which he is required to operate.

It is realized that this problem is common to the Maritime region generally, but it is of particular significance to Newfoundland because of the additional distance from the source of supply and to the markets for sale. A remedy for this situation, apart from recommending special treatment for special areas, cannot readily be seen. The Province of Newfoundland is not advocating this policy but we are aware of the fact that Mainland Maritime manufacturers are making representations to this Commission for an amelioration of the freight rate position insofar as it affects them. It is understood that any benefits transportationwise that may be made available to Maritime manufacturers in this regard, both in relation to the movement inward of raw materials and the movement outward of the finished product, must of necessity apply mutatis mutandis to manufacturers in Newfoundland.

In considering the position of the Newfoundland manufacturer vis-a-vis his Mainland competitor it is obvious that his handicaps are substantially greater than his Mainland neighbour. The movement of his products both ways is subject to the limiting factors involved in the handling of traffic through



North Sydney over the Gulf into Port-aux-Basques and across the Island by way of the narrow gauge railway system to St. John's. This movement results in successive breakage of cargo, transfer and reloading, all of which add to the cost of the raw materials and the finished product, but most important of all in this regard is the lack of facilities for the movement of cargo in bulk to and from Newfoundland. Because of this deficiency in the transportation system the advantage of moving traffic in bulk to and from manufacturing plants is not available to the Newfoundland manufacturer and to this extent the difficulties to which he is subject are aggravated accordingly. Thus it can be said that in any consideration that is to be given to Maritime manufacturers compelled to use the "Eastern Lines" as their means of transportation the position of the Newfoundland manufacturer deserves very special consideration.

Bulk Cargoes: Because of the existance of the water gap between North Sydney and Port-aux-Basques and the limitations inherent in the Newfoundland railway system because of the narrow gauge, receivers and shippers to and from the Province are, as stated above, subject to serious handicaps. The movement of bulk traffic is almost entirely restricted. This applies particularly to shipments of such commodities as coal, lumber, liquids in bulk and raw materials



required by local manufacturers which are usually moved in bulk.

There is general complaint regarding the lack of facilities in this regard. The railway system as presently constituted is not geared to handle efficiently cargoes in bulk. Apart from the restrictions to which the narrow gauge system is subject, there is the fact that breakage of bulk is now necessary at two points, namely, North Sydney and Port-aux-Basques. This involves discharge from standard rail car to water carrier at North Sydney and from water carrier to narrow gauge rail car at Port-aux-Basques. Such limited shipments as are moved in bulk under prevailing conditions suffer from breakage, pilferage, loss and damage which is almost impossible to avoid under existing conditions.

The Newfoundland receiver and shipper advances the position that he should be placed in a position reasonably comparable to his Mainland Maritime neighbour insofar as transportation facilities are concerned and he states quite forcefully that because of the limited existing facilities he is far from being in such a position.

Less than Carload Shipments: Complaints are general throughout the Province regarding deliveries of less than carload shipments. In fact it might be fairly said that the only serious ground for complaint is in relation to this type of shipment.



Great improvement has taken place in the movement of carload lots and the trade in general is highly appreciative of the advance made by the railway in this respect.

However, there is considerable delay in delivery of less than carload shipments. There is a high incidence of breakage, pilferage, loss and damage related to this particular movement. Even the railway officials themselves admit the difficulties in handling this type of traffic under prevailing conditions.

The reason for the loss from breakage, pilferage and damage is attributable insofar as inward movements are concerned to the fact that the goods are subject to excessive handling. Firstly, there is the discharge at North Sydney from car to shed floor, then from shed floor to containers in the case of the Motor Vessel William Carson, from the containers to box cars at Port-aux-Basques. This movement of the various consignments presents a major problem and as long as facilities are not available to move the Mainland rail cars as a unit to Port-aux-Basques the situation will continue.

Movement Through North Sydney: The movement of traffic through the North Sydney gateway is taken care of in the following manner: firstly, the Motor Vessel William Carson. This vessel is of most modern design and she is equipped to make a multiple movement of passengers, motor cars and



package freight in containers on her cargo deck. Her capacity is 630 tons. She also has a limited capacity for general cargo on open deck aft. She is equipped with refrigeration facilities and has space for handling cattle. One deck is exclusively designed to handle motor cars on a roll-on roll-off basis. The vessel is doing an excellent job and she is operating to capacity insofar as package cargo movements are concerned. She makes a daily turn around with twelve hours in port and twelve hours at sea. In addition to the Carson several dry cargo coastal ships are operating on the Port-aux-Basques, North Sydney, Argentia service. These vessels, with the exception of the Cabot Strait, are chartered tonnage and they handle chiefly unpackaged freight, that is, the type of cargo which does not lend itself to movement by containers which is the main agency on the Carson for the handling of traffic. Some of these ships make occasional trips to Argentia when the backlog at North Sydney becomes excessive.

The complaints as to damage, shortage, pilferage, etc. are traceable to a very large degree to the movement being made by these general cargo ships.

Express Deliveries: There has been general complaint from receivers within the Province regarding delays in deliveries of express matter.



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These complaints are in a category comparable to those registered in relation to less than carload deliveries. It appears that express deliveries from Montreal and Toronto average eight to nine days, and that intra-provincial movements are subject to delays of relative proportion. Under prevailing transportation conditions the remedy for this is not apparent except through the adoption of other means of transport, notably airlift.



To this end a brief prepared by Eastern Provincial Airways Limited, a company owned exclusively in Newfoundland and already operating a very satisfactory winter mail service, has proposed the inauguration of a system for pickup and delivery of express and secondary mail matter from North Sydney to points in Newfoundland extending as far east as St. John's. The mechanics of this proposed movement are spelled out in the brief of that company which is annexed hereto as an addendum to this brief. In view of the seriousness of the matter raised under this heading every avenue should be explored with a view to accelerating the movement. If the feasibility of the proposal submitted by Eastern Provincial Airways Limited commends itself then it is recommended that some plan should be worked out with the company for the movement of the traffic in the manner suggested.

ADDITIONAL FACILITIES REQUIRED

Prevailing facilities for the movement of traffic to and from Newfoundland are inadequate to provide the service to which the Province is entitled. It has been stated by those qualified to know that an additional package-freighter equipped to handle motor cars, passengers and package freight in larger containers than those now in use should be provided to operate to an East Coast port, either Argentia or St. John's. This would provide an alternative gateway and exit for passengers entering and leaving



the Province. It would accelerate the movement of traffic to East Coast points and it would eliminate the long rail haul across Newfoundland which is imperative under prevailing conditions in view of the fact that only one port of entry exists into Newfoundland for rail traffic. Figures provided at Port-aux-Basques recently established that from June 22nd to October 10th, 1959, 38,490 passengers passed through that port via the M/V Carson alone, both inward and outward. The records establish that during the peak season the Carson is unable to handle the passenger traffic offering and that supplementary ships have to be commissioned to take care of the load. The Trans-Canada Highway is still incomplete, only very limited sections have been paved, the work is still progressing. As road facilities improve so will the volume of passenger traffic increase and thus the facilities for movement between North Sydney and Port-aux-Basques as now exist will become still more inadequate. It follows that additional facilities must be provided promptly if the need of the Province in transportation and traffic generally is to be anything near adequate.

The operation of another ferry to an East Coast port would provide an alternative gateway and permit the circuitous movement of passengers coming into and leaving the Island. It would also, of course, accelerate the movement of freight, mail and express to the eastern section of the Province. It has been



suggested that one way of overcoming the handicap to which Newfoundland shippers and receivers are now subject would be the provision of a rail car ferry capable of transshipping intact Mainland equipment daily to Port-aux-Basques. This would provide a facility for the movement of cargo in bulk, which, as pointed out above, cannot be made under prevailing conditions. This improvement in the facilities would involve the laying of a third rail at Port-aux-Basques to which Mainland cars could be delivered and cargo transshipped into Newfoundland equipment at that point. The provision of the third rail at Port-aux-Basques with the necessary facilities to transship from standard to narrow gauge cars would place the Newfoundland receiver in a position as nearly comparable to his Mainland Maritime neighbour as the physical limitations of the present narrow gauge system would permit.

---A short recess.

ADDITIONAL FACILITIES FOR ACCOMODATION OF PASSENGERS

The total mileage of the Newfoundland railway system from St. John's to Port-aux-Basques is 547 miles. A daily passenger service is operated both ways. The transit occupies a travelling time of twenty-two and a half hours. The trains consist of all-steel passenger equipment, comprising coaches, dining car and pullmans. The service is



good, the trains operate on time.

The pullman cars are equipped with one drawing room with capacity for three people and a seating and sleeping capacity otherwise for sixteen people. No facilities outside the pullman are available on these trains for relaxation or recreation of passengers throughout the long journey from St. John's to Port-aux-Basques. Smoking is prohibited in the pullman cars except in the smoking section. No rest rooms are provided for lady passengers.

In view of the length of the journey from St. John's to Port-aux-Basques and vice versa it becomes increasingly necessary that additional facilities for the accommodation of passengers should be provided on passenger trains. The service across the Island makes Mainland connections with trains at North Sydney for points west and at Port-aux-Basques for points over Newfoundland. As far as we are aware there is not to be found on any part of the Mainland system a passenger service run, of the same distance and involving the same length of time, where the trains are not equipped with recreational facilities such as club or lounge cars. There is also the further fact that as the system is narrow gauge it is inherently substandard when compared with similar systems to be found on the Mainland. When this fact is considered it becomes all the more necessary to abridge the disparity existing between the system by providing club



car facilities on passenger trains for the accommodation of passengers. We have reason to think that the railway officials are fully conscious of the need for providing such a facility as is advocated under this heading, and it is accordingly felt that if this Commission feels disposed to recommend the implementation of this request it will be carried into effect without delay.

Hotel Accommodation at St. John's: St.

John's Station is the last terminal stop on the great railway system that spans Canada from coast to coast. Because of the fact that Newfoundland is at the end of the line traffic from Mainland areas terminates here and it has achieved substantial volume. Diplomats, politicians, commercial travellers and sightseers generally terminate their journeys at St. John's. Elsewhere in Canada hotel accommodation adequate to the need has been considered a necessary adjunct to the transportation system. St. John's is no exception in this regard. The Newfoundland Hotel already exists. This is operated as part of the Canadian National Railways system of hotels and its standard of performance compares well with hotels similarly placed across Canada. It is well managed, it is modern in every respect, the service performed is good, but it is limited in its accommodation. From time to time and almost at all times it is necessary to utilize outside establishments to provide accommodation



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for guests. We are advised that this hotel enjoys the highest rate of occupancy of any hotel in the Canadian National Railways system, exclusive of the Queen Elizabeth at Montreal.



Developing conditions have established the necessity for expansion of hotel facilities at St. John's to meet the need of the travelling public. With the expansion of the highway system throughout the Province and the establishment of an additional car ferry from Mainland points to East Coast ports the facilities now available will be far short of requirements. It is therefore urgently recommended that serious thought be given at once towards enlarging the Newfoundland Hotel by the provision of additional rooms to meet not only present demands but to provide adequate accommodation toward the future developments of the Province which are bound to occur.

Hotel Facilities at Port-aux-Basques: At the other end of the railway system is the gateway of Port-aux-Basques. Since Confederation, large sums of money have been spent towards the improvement of port facilities at that port; the provision of passenger docks and freight sheds; the construction of railway yard and sidings; and a modern depot equipped with all facilities incidental to railway terminals. Included in the railway station at Port-aux-Basques is an up-to-date, fully equipped, exceptionally well run restaurant for the convenience of passengers passing through that port. From figures supplied to us by the Customs officials at Port-aux-Basques, from June 22nd to October 10th, 1959, 38,490 passengers passed through Port-aux-Basques via the motor



ferry William Carson alone. This figure does not include passengers who passed through this port outward and inward via the coastal service. It can be stated with substantial accuracy that no facilities exist at Port-aux-Basques for the handling of passengers who find it necessary to stop off for an interval of time awaiting trains or steamship movement to and from the port. No railway facilities for the overnight accommodation of passengers do in fact exist. The only accomodation found at Port-aux-Basques - Channel for passengers requiring hotel accommodation consists of so-called boarding houses none of which are centrally heated, all of which are limited in their amenities, and are entirely inadequate to the situation in hand. It does not need stressing that since Port-aux-Basques is the port of entry for Newfoundland for outside passengers that first impressions leave lasting effects. Therefore, it is urged with the greatest force that hotel accomodation along modern lines of modest dimensions is an essential to the railway system that must be provided without delay at this western terminal.

It is also necessary to say that such accommodation, if and when provided, should be in close proximity to the railway plant at Port-aux-Basques, that is, it must be situated contiguous to the docking point for ships and the terminal point



for trains. In other words, within the railway premises. The information supplied us is to the effect that forty to fifty rooms would be sufficient to meet the need. To this end it should be stated that the railway station at Port-aux-Basques is a modern building, it is of brick construction and has been so laid out that it lends itself to expansion by adding another storey. All that would be necessary if this were done would be to provide room space with the necessary amenities incidental to hotel accommodation. The restaurant already established in the building is of such a design that it would eliminate the necessity for dining-room space in the hotel. It is accordingly urged that this Commission do recommend that hotel accommodation at Port-aux-Basques be provided as a necessary adjunct to the railway operations at that point. It has been represented that grave inconvenience is suffered by passengers who are required to wait over at Port-aux-Basques. Train journeys terminating before the arrival of ships or ship arrivals after the departure of trains involve passengers having to sit around the waiting room of the railway station and/or to seek accommodation in inferior boarding houses scattered throughout the length and breadth of Channel - Port-aux-Basques. This situation is intolerable under modern conditions. It should not be allowed to continue since it reflects upon the efficiency of the



railway system as a whole and of Newfoundland in particular.

Railway Stations: While very substantial improvement has been effected in relation to the railway system in Newfoundland in various aspects of the operation, railway stations have not been the subject of development or modernization. Apart from Port-aux-Basques no station buildings, as far as we are aware, have been erected since Confederation. The railway depot at St. John's, which is the eastern terminal of the entire Canadian National Railways system, is outmoded both in its amenities and in its layout. This building houses the executive offices of the Newfoundland Division. Thus it fulfills a function that justifies a modern structure geared to present day needs of the travelling public, fitted with the normal amenities which are to be found in buildings of this kind, and equipped to provide the requisite office space for administration and the executive offices of the company. The building was erected during the early 1900s and since its construction no improvements of major consequence have been effected. It is clearly antiquated and it is obsolete. Its replacement is a matter about which there can be no serious disagreement. Within recent months heavy expenditures are being made for yard expansion, the erection of a building for the handling of express traffic and other far reaching improvements. Having



regard to the progressive policy being carried out generally by Canadian National Railways in the improvement of its plant, it would appear as if the replacement of the present railway station at St. John's with one more modern in design and more efficiently equipped would be consistent with the policy in evidence in relation to the Newfoundland railway service.

Railway stations along the line, notably at junction points, Gander and Corner Brook, require immediate replacement and expansion. The station at Gander is of particular importance in this regard. Repeatedly throughout the year large numbers of passengers deplaned at Gander owing to weather conditions existing over Torbay, move by rail to St. John's. The waiting room accommodation in the railway station there is most unsuitable to meet the need. It is neither large enough nor properly equipped to take care of the number and type of passengers needing to use this facility. Extension of the waiting room facilities and its equipment with the necessary amenities, including caretaker service, is most essentially required. The complaints from the travelling public with regard to this building and its type of accommodation are many and varied. In the interests of Newfoundland and the railway system generally the matter of improvements of the station facilities at Gander requires immediate attention. What has been said in relation to Gander applies to a lesser degree



to other points, notably junction points from branch lines, and to a limited extent the same can be said with reference to Corner Brook railway station.

The City of Corner Brook has a population of 25,000 people. Corner Brook itself is the junction point for passengers moving by way of coastal boat to and from the Northwest Coast. Within recent days the railway station at Humbermouth has been eliminated. These facts point up the need for expansion of railway station facilities at that point. Substantial improvements have already been made and are continuing to be made at Corner Brook in relation to yard space and in the construction of new buildings for the handling of express matter. The railway station and the surrounding area have not received the attention which the importance of the depot deserves.

Railway Platforms: Since the introduction of dieselized motive power over the Newfoundland railway system longer trains have become a matter of general routine. Platforms adjacent to railway stations which formerly served the old Newfoundland railway system have become inadequate. Owing to the length of passenger trains the rear cars, particularly the pullman section, over-reach the platforms in many instances. This is a cause of great inconvenience to passengers particularly at night time when boarding and alighting from trains. Very few of the railway station platforms outside St. John's have



lighting facilities. Consequently, the operation of loading and discharging passengers from pullman cars at points beyond the railway platform is a matter of hazard to the passengers and one of great inconvenience. It is suggested that the programme of improvement inaugurated in the railway system generally be continued to include the improvement of these facilities.

Railway Crossings and Need for Protection:

With the increase in the volume of motor vehicle traffic developing in Newfoundland the necessity for protecting the public against the hazards of railway crossings is becoming increasingly evident. It is undeniable that there are many dangerous railway crossings existing throughout the Newfoundland railway system. This is particularly true in relation to the Carbonear branch. It is suggested that immediate attention be directed towards providing adequate mechanical warning devices to safeguard the public against railway crossing hazards.

BAY D'ESPOIR AS A NATIONAL HARBOUR AND AS AN ALTERNATIVE GATEWAY TO AND FROM NEWFOUNDLAND

It is implicit in the Terms of Union negotiated between Canada and Newfoundland that one or more national harbours be provided in the Province. On successive occasions since the consummation of Confederation representations have been made before Royal Commissions for the establishment of this facility at Bay d'Espoir, on the Southwest Coast of the Island.



This particular port has many natural advantages. It enjoys deep water approaches which are ice free all the year round; the harbour itself is commodious; no drift ice obstructs the approaches by way of the ocean lanes at any time during the year; its distance from Halifax is 384 miles and from North Sydney 185 miles; it is 80 miles as the crow flies from Grand Falls; it has substantial stands of timber located within its immediate vicinity; and a potential hydro-electric development of 400,000 horsepower exists in the Bay d'Est area within a distance of 20 miles. At the moment this hydro-electric potential is receiving earnest and active consideration from British Newfoundland Corporation Limited, an amalgamation of powerful financial interests which are engaged primarily in the development and exploitation of the resources in Labrador.

The construction of a branch railway from the main line at either Grand Falls or Bishop's Falls to the Head of Bay d'Espoir would provide an artery of communication to and from the Province that would afford an all-year inlet for traffic moving into the Province and an outlet for the manufactured products of the paper mill at Grand Falls, the ores produced in the mines at Buchans, and any future mineral developments that may take place on the Northeast section of the Island. Raw materials from the area could be transported to the mill at



Grand Falls and Corner Brook and a substantial source of revenue not now available would be provided to the main line railway system.

It has been brought to my attention by the Premier, in view of the fact that one of the members of the Commission is a resident of Quebec, that we should say that although the name is Bay d'Espoir we speak of it and it has been known for generations in Newfoundland as Bay Despair. We hope that can be changed as a result of this hearing.

THE ACTING CHAIRMAN: Why not call it McTague Bay?

Because of its ice free approaches the costs of maintaining communication through the ice barrier during the winter months, a problem which now exists during that season between North Sydney and Port-aux-Basques, could be avoided, and a short haul, fast water route between Halifax and Newfoundland would be available for traffic moving both into and out of the Province. Again, the construction of a rail communication to and from Bay d'Espoir to the main line of railway would bisect the Island in a North-South direction. It would permit the distribution of traffic both east and west bound from the branch line over the main line of railway and give a fast and efficient movement which is not now available to Newfoundland. It is difficult to assess the potentialities of Bay d'Espoir if and when the



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developments suggested under this heading
materialize.



Amongst the possible developments that could flow from the establishment of a national harbour at Bay d'Espoir, with all that that implies, is its feasibility as a transshipment port for traffic moving out of the Great Lakes area during the open season. With the opening of the St. Lawrence Seaway and the need to extend domestic shipments to a point farthest east and beyond the ice barrier limit Bay d'Espoir offers interesting possibilities. By developing it to the extent visualized by means of a national harbour and a rail connection, given the necessary hydro-electric development, transshipment facilities can be established which could have far reaching effects upon the economic potential of Western Canada as well as Newfoundland.

The Lake movement which today is limited to unloading at lower River and Lake ports preparatory to transshipment by ocean carriers could then be extended to Bay d'Espoir, thus permitting an additional 1,500 mile eastbound movement for Canadian bottoms and shortening correspondingly the ocean passage to markets throughout the world. Maybe this is a dream, but it is one that can be realized if the constructive thinking which the possibilities of Bay d'Espoir justify can be brought to bear upon the project. Whether Bay d'Espoir is developed into a national transshipment port or not



it still offers, insofar as domestic traffic is concerned, great possibilities which if developed properly can revolutionize the movement of traffic to and from the Island and contribute immeasurably to the more efficient operation of the railway system. We have not dared to mention in this regard the establishment of a standard gauge railroad from the Head of Bay d'Espoir to the junction point on the narrow gauge system, but if this could become a reality it would mean that with the inauguration of a rail car ferry between Mainland points and Newfoundland standard equipment, with all that that implies, could be moved intact into the very heart of Newfoundland. Bay d'Espoir, therefore, demands serious consideration at the hands of those who are charged with the responsibility of developing Canada's potentialities as a nation. Its impact upon the more efficient and economic operation of the Newfoundland railway system would be revolutionary. Through it Newfoundland can make a great contribution towards the expansion of Canada's trade and commerce; by it Newfoundland can reap benefits which are immeasurable judged by present standards.

RECOMMENDATIONS

It is respectfully recommended that this Royal Commission make the following recommendations in the interests of the Province of Newfoundland:

1. that the competitive freight rate structure



effectual on movements of traffic from the Great Lakes area west of Montreal for summer movements be made applicable on an all-year basis to all points in Newfoundland;

2. that the grouping points now in effect from North Sydney to St. John's be reduced from four to three, eliminating the North Sydney - Port-aux-Basques group;

3. that competitive rates comparable to those now in effect for the water movement from Prince Edward Island to points in Newfoundland be established for the movement of agricultural products and livestock between points in Newfoundland;

4. that the feed grain assistance rates be established on a permanent basis;

5. that an additional package - freighter equipped to handle motor cars, passengers and package freight in larger containers than those now in use be provided to operate from Mainland Canadian points to either Argentia or St. John's;

6. that a rail car ferry be provided for operation between North Sydney and Port-aux-Basques for the movement of traffic in standard railway equipment intact, and that third rail facilities be provided at Port-aux-Basques for the transshipment of traffic to the Newfoundland railway system, thus eliminating the incidence of breakage and pilferage, accelerating the movement of less than



carload lots, and providing facilities for the handling of cargo in bulk;

MR. LEWIS: The premier has asked me, Mr. Chairman, to say that when we refer to a third rail at Port-aux-Basques we mean the establishment of facilities at Port-aux-Basques, not right across the country.

7. that alternative means of transportation, particularly airlift facilities, be considered to accelerate the movement of express matter from Mainland Canadian points to points in Newfoundland;

8. that additional facilities by way of either lounge or club cars be provided, for attachment to passenger trains operating on through routes from St. John's to Port-aux-Basques and vice versa;

9. that additional hotel facilities be provided at St. John's, for the accommodation of passengers, adequate to the needs which will be required upon the completion of the Trans-Canada Highway across the Island and the provision of an additional passenger ferry to East Coast ports;

10. that hotel facilities be provided at Port-aux-Basques for the accommodation of passengers passing through that port;

11. that consideration be given to the renovation and/or replacement of the railway station at St. John's;

12. that additional facilities by way of



waiting room accommodation and attendant services be provided at Gander, Corner Brook and junction points throughout the railway system;

13. that immediate action be taken towards the extension of railway platforms at railway stations and the provision of auxiliary services such as lighting facilities for the convenience and safety of passengers using the railway system;

14. that mechanical warning devices be installed at railway crossings which are now hazardous to the travelling public;

15. that additional passenger ships be provided during the peak traffic season for operation out of Port-aux-Basques for the accommodation of passengers destined for Southwest Coast ports;

16. that serious thought be directed towards the development of Bay d'Espoir as the national harbour, together with the construction of a standard gauge branch railway from Bay d'Espoir to the existing main line Canadian National Railway system.

THE ACTING CHAIRMAN: Well, Mr. Lewis, the Commission is very flattered at the work, which, very obviously, has been done for us here, and I think you are very much to be congratulated. You have given us a number of recommendations and then, on the fundamental question of long-haul and horizontal increases, which apply to the rest of the country, I think you have diagnosed, but you don't prescribe;



but I may expect something from the very capable hands of Mr. Smith, of the Maritime Commission, in that connection.

How do you want to handle it? Do you want to have your witnesses before you answer any questions?

MR. LEWIS: Yes; the witnesses are available, and they will speak to certain highlights of the brief.

THE ACTING CHAIRMAN: Do it in your own way and just as you wish, Mr. Lewis.

MR. LEWIS: The first witness I wish to introduce, Mr. Chairman and gentleman, is Dr. Copes of Memorial University, who has made a study of the impact of freight rates cost upon the cost of living in Newfoundland; and the paper which he has prepared is annexed to the brief.

Dr. Copes is prepared to speak to that at this moment.

MR. COOPER: Perhaps it should be noted for the record that the addendum you mentioned, Exhibit 38A, be taken as read?

THE ACTING CHAIRMAN: I think we can do that.

Yes, Dr. copes?

MR. LEWIS: I will qualify the witness and then he will proceed and deal with the matter.

What is your name, please?



MR. COPES: My name is Percival Copes.

MR. LEWIS: And what is your position at the moment?

MR. COPES: I am associate professor of economics at Memorial University.

MR. LEWIS: I think you have been requested to make a study of the impact of freight rate costs on the cost of living in Newfoundland?

MR. COPES: That is correct.

MR. LEWIS: And you have done so?

MR. COPES: I have done so.

MR. LEWIS: Would you be good enough to tell the Commission what you have done and what you have found.

MR. COPES: Mr. Chairman and gentlemen, I have made a brief study of the effect of transportation costs on the cost of living of Newfoundland relative to the cost of living on the Mainland of Canada.

I have summarized my findings in five points on page 1 of the brief which has been filed as an Exhibit and which is number 1 of the addenda submission which you have with the yellow cover. I would like to deal briefly with one or two of these.

The first one is: "The cost of living in Newfoundland is much higher than that in the mainland provinces." I believe that is something which is not subject to dispute. It is generally recognized that the cost of living in Newfoundland is higher than



anywhere else on the Mainland with the exception of the Northern Territories. It is mainly a matter of estimating the differential in the cost of living between Newfoundland and the Mainland, and there is some material to go on, particularly a survey which was undertaken by the Dominion Bureau of Statistics in the spring of 1955, in which the cost of living in St. John's, Newfoundland, was compared with that of Halifax, and the conclusion of the Dominion Bureau of Statistics was that the differential which existed then was 11%. That is, it costs us 11% more to buy ourselves a basket of consumer goods in St. John's than it did at Halifax.

The survey undertaken by the Dominion Bureau of Statistics did not take into consideration shelter costs. It is recognized that shelter costs are also considerably higher than in Halifax, and I have made a rough estimate of the effect of the improvement of shelter costs in the cost of living index, and it seems that, instead of 11, 13 would be a fair estimate of the difference in the cost of living between St. John's and Halifax at the time the survey was taken, in the spring of 1955.

However, since that time the cost of living differential between St. John's and Halifax has widened. There is conclusive evidence of that in the D.B.S. Consumer's Price Index which has been maintained for ten years across Canada, including



St. John's and Halifax, and from that index, which is maintained from month to month, it can be seen that the differential of 13% existing in the spring of 1951 went up to $14\frac{1}{2}$ by August 1959 - that being the last month for which figures are available.

The cost of living differential between St. John's and Halifax is not an adequate expression of the difference between the cost of living in Newfoundland and the Mainland, because it is quite evident that the cost of living in St. John's is well below that of the remainder of Newfoundland; and there are also some indications that the cost of living in Halifax may be about the average of the Canadian Mainland. It is quite evident from the index maintained by Dominion Bureau of Statistics that the cost of living in Halifax is going up faster than in all other Mainland cities and, therefore, if at one time the cost of living in Halifax was about the same, it no longer is.

For these two reasons, then, and certain others, the cost of living difference between Newfoundland and the Mainland is wider - considerably wider - than the differential in the cost of living between St. John's and Halifax; and in August 1959 we had a cost of living differential of $14\frac{1}{2}\%$ between St. John's and Halifax. The difference between the Newfoundland average and the Mainland average is well above that, I submit, and I believe it is in



the range of 20 or 25%.

That is the first point which I have made in this brief.

The second one is: "The higher cost of living in Newfoundland is evident chiefly in the food component of consumers' expenditure."

This, in itself, may not seem very important to the Newfoundland consumer who has to pay more money for his consumer expenditure than his Mainland competitor; but in an analysis of the effect of freight rates and other transportation charges on the cost of living it is important in that it takes place mainly through the food components in the consumers' budget, because food prices are particularly sensitive to transportation costs.



The transportation costs in Newfoundland in food prices is much higher than it is in Halifax. Also, food is the largest single component of the consumer's budget; it is estimated that about 35% of the individual consumer's budget is spent on food, and so anything that affects food prices, affects the general costs of living to a quite considerable extent.

I have made an estimate of the proportion of the costs of living differential between St. John's and Halifax, which must be attributed to higher food prices as compared to higher prices in other components of the consumer's budget.

My conclusion is that the 13% differential which existed in the spring of 1955, that of that 13 per cent differential, $2\frac{1}{2}$ per cent is taken up by the sales tax which applies on goods sold in St. John's - that is on most consumer goods sold in St. John's, but not all - and it doesn't apply to consumer goods sold in Halifax. About $2\frac{1}{2}\%$ is accounted for, then, by the sales tax.

8% of the remaining $10\frac{1}{2}\%$, 8% is accounted for by higher food prices. Then, 2% - and that is a fairly rough estimate - by higher shelter costs, and it is only one-half per cent for all other remaining items in the consumers budget. Therefore, I want to say that the cost of living differential is as a result almost entirely of higher food costs in St. John's.

Anything, then, that affects food costs will



effect the general cost of living quite considerably.

Now, the third point which I have made in the brief is that the difference between consumers goods prices in Newfoundland and Mainland Canada is widening; not only is it wide, but it is widening all the time, and there is quite conclusive evidence of that in the consumer price index which is maintained by the Dominion Bureau of Statistics, and at this time I am referring to a graph which you will find in this brief opposite page 5 in part 1, where it is shown the widening gap of the cost of living between St. John's and other centres in Canada for which the consumers price index is maintained.

This is chart 1 opposite page 5. I have shown here for the eight-year period from June 1951 to June 1959, for this eight-year period I have shown an increase percentagewise in the cost of living in St. John's and the increase percentagewise of the cost of living of all the other centres across the country for which the D.B.S. maintains a consumer price index, and from the graph you can see that the consumer price index in St. John's has increased by about 15% for this eight-year period. I have taken this eight-year period because June 1959 is the first month for which the index was constructed in St. John's and that is, therefore, the earliest date for which data is available for



all ten provinces across the country. The increase, then, in the cost of living for St. John's is about 15%. The next highest was Halifax with about $12\frac{1}{2}\%$, and the remaining cities across the country had increases in the cost of living which were well below that of St. John's or Halifax. Some had increases only around 8%, and lesser; Montreal, Edmonton, Calgary and Winnipeg.

From the graph it is quite evident that the cost of living in St. John's has gone up during the past eight years by quite a substantial margin and more than any other centres across the country and Halifax has gone up the next most, so therefore the gap between St. John's and Halifax is widening, the gap between St. John's and the rest of the country is widening even more.

They also include the increase in the food components of the cost of living index for the various centres across the country, and here the difference is even more startling; if you will look at chart 2 opposite page 6 you will see illustrated the increase in food prices in St. John's as compared to the increase in food prices in other centres across the country for the eight-year period from June 1951 to June 1959, and you will find that the food prices in St. John's have gone up by about 13%, about 13% for this eight-year period, whereas food prices have moved only a few per cent at the most in other



centres across the country.

In some cases food prices have gone up, in other cases, food prices have gone down, and the average over the main seems to be just about zero; food prices on the Mainland stayed about the same level during this eight-year period, whereas in St. John's they have gone up by 13% which is a tremendous widening of the gap on food prices at St. John's and the Mainland centres.

Now, this bears directly on the effect of transportation costs on the cost of living, because the one great difference between food prices in St. John's and the Mainland is as a result of the fact that over 90% of the food consumed in Newfoundland has to be brought into the Province at quite a considerable expense, whereas the Mainland centres draw most of their food from the area around the city concerned so that transportation costs are not a very important factor in food prices in any of the Mainland centres. However, they are a very important factor in the case of food in Newfoundland, and the fact that transportation costs have gone up very considerably during the past eight years, and I have estimated elsewhere in the brief that the general freight rates have gone up by 77% over this period concerned. Food prices have stayed at the same level for the eight years and freight rates have gone up 77%, and this has had a tremendous effect on the



cost of food in St. John's as compared to the Mainland centres; St. John's has gone up 13% and the Mainland centres have stayed at an even keel.

My fourth point is that transportation costs are an important element in the price of consumers goods in Newfoundland. There are no very active statistics on this subject, but I made inquiries of the trade in St. John's and the consensus of opinion seems to be that of the final price to the consumer on food, that about 15% is taken up by transportation charges, about 15% of the cost of the food.

THE ACTING CHAIRMAN: That is, you reckon the mark-up as well?

MR. COPES: No, this is just the transportation component; not including the increase in the mark-up which results from increased transportation costs.

THE ACTING CHAIRMAN: But the mark-up has to be considered, too, before it gets to the consumer?

MR. COPES: Yes indeed, but it is the percentage of the price before the wholesale price, and it is taken up in transportation costs.

THE ACTING CHAIRMAN: You indicate that freight rates are a very decided inflationary factor, then?

MR. COPES: Indeed. If even about 15% of the retail price of food is taken up by freight costs, it is clear if you have a 50% increase in freight



rates this will mean a $7\frac{1}{2}\%$ increase in the price of food, and if freight rates have gone up by about 57% over the past eight years, this has quite a considerable impact immediately on the price of food. There are many indirect factors which add to this and I shall come back to those in a moment.

Now, of the other items which go into the consumers budget, the freight component is very small, it is about 3 to $3\frac{1}{2}\%$ for goods which are sold through the department store, and it is reasonably representative of the other items in the consumers budget.

Some of the factors that make the effect of freight rates on food even worse are, as I mentioned, the fact that the wholesaler and the retailer in the food trade are accustomed to calculating their final price on a cost plus basis. If their cost price goes up because freight rates have gone up, that means their margins which remain stable on a percentage basis, in absolute terms would be increased also. The consumer not only pays the additional freight rate, he pays the additional margin to the wholesaler and retailer as well. Now, that is something that applies to the food trade but not to the same extent in other trades because of the peculiar competitive position. In the case of department stores, they must compete with mail order houses, and mail order houses absorb transportation costs by and large, and



as a result the department store here cannot raise their price very much if the transportation costs go up and they have to absorb a large proportion of the increased freight rates on the goods which they can sell.

In any case, the total transportation margin on these things is a relatively small one as compared to food, only 3 to $3\frac{1}{2}\%$, whereas it is 15% on food.

Now, the final point which I have established is that recent freight rate increases have been accompanied by marked advances in the cost of living in Newfoundland relative to that on the Mainland. It is difficult to assess precisely in detail what is the effect of any particular freight rate increase on the retail price of various goods which the consumer buys. There is, of course, the immediate effect of the increased freight rate being passed on to the consumer and the many side effects as well, but the proof of the pudding is in the eating, and if we look at the table here on the consumer price index which has taken place since the most recent freight rate increases and if you consider that this appears to be the only evident major factor in affecting the cost of living in St. John's in a different fashion than the cost of living on the Mainland, we may surmise that the major responsibility for any differences in the cost of living which has



taken place since the last freight rate increase that took effect on the 1st of December, 1958, that that is as a result by and large of the increased freight rates.

I have shown in chart 3, which is opposite page 9, I have shown what has happened to the consumer price index for those ten centres across the country since the last general freight rate increase took effect. As of the 1st of December, 1958, I have reduced the consumer price index for those ten centres across the country to a common basis of 100 in November, 1958, which is the last month before the freight rate took effect.

Also on chart 3, which is opposite page 9, we find the fact shown drastically of the increase in the consumer price index in St. John's as compared to other centres since this freight rate took effect, and you see that the consumer price index for St. John's has gone up to a level of 103% in August of 1959, which is much higher than any other city, and the next highest is Halifax, about $1\frac{1}{2}\%$, and then St. John an additional 1%, up to 101%.



The other cities across the country, the consumer price index has varied very little from the level of 100%; some of the cities are up a little and others are down but by and large they seem to show no effect from the increase in freight rates. But, in the case of St. John's it is quite startling and in Halifax and Saint John New Brunswick it is also evident. It may be noted that the height of the consumer price index in August 1959 at St. John's, Halifax and Saint John New Brunswick is about proportionate to the distance from the main suppliers in central Canada which would again indicate that freight rate costs affect St. John's index more, next, Halifax and the next is Saint John New Brunswick.

COMMISSIONER ANSCOMB: All in that region?

MR. COPES: Yes. The effect on food prices is even more startling. I have shown this on chart 4 opposite page 10 reducing the various food price indexes to the basis of 100 per cent at November 1958, the last month before the freight rate increase took effect. It is shown that the St. John's food price index went up in a period of just nine months by more than 6 per cent, the nine months since the freight rate increase took effect the St. John's food price index went up 6 per cent whereas in all the other centres across the country the food price index went down. In the case of Saint



John New Brunswick in the last month it came up to 100 again but in all the other cities across the country the food price index went down. This is as a result of a basic reduction in food prices in Canada but St. John's instead of benefiting from this basic reduction on food prices in fact finds food prices about 8 per cent higher than in Mainland centres for the first nine month period. In this nine month period the gap between the food prices at St. John's and Mainland centres has widened by about 8 per cent and the only evident reason that it has widened is the fact of the freight rate increase. That has a very great bearing on food prices in St. John's because freight costs take up such a large percentage of the final costs of food here. It would have little or no effect on food prices on the Mainland.

That takes care of the five main points which I have tried to make in this brief.

In summary I would like to say that the higher freight rates which were permitted by the Board of Transport Commissioners, presumably mainly to give relief to the railways, may have had the effect of giving relief to the railways but it has had a very detrimental effect on the welfare of the people of Newfoundland which I think is well in excess of the relief which has been provided to the railways. The Newfoundland consumer has not only



paid the additional amount which the railways have received but they have by many indirect means paid larger amounts to other carriers who have raised their freight rates in sympathy with the railways; the various traders who have increased their charges because the costs have gone up and possibly several other indirect factors as well. The total effect on the Newfoundland consumer undoubtedly has been much in excess of the relief which has been given to the railways.

More important yet, I think, that consideration must be given to the detrimental effect which the higher cost of living has on the Newfoundland economy. If food prices go up, if the consumer price index goes up it means the real wages of Newfoundland workers relative to those of the Mainland goes down. In other words, if they have the same amount of money they get less in the way of goods and services and the real value of their wages becomes less relative to that of their Mainland compatriots.

THE ACTING CHAIRMAN: Well, Dr. Copes, have you found at all that the retailer, for instance, has raised prices using freight rates as an excuse rather than a reason?

MR. COPES: I think perhaps the retailers have raised their prices because freight rates have gone up but perhaps they have raised it to a larger margin than could be entirely attributed to the increase of the freight costs. Undoubtedly the rise in the



freight costs has been a major consideration in raising retail prices on food. It is true, of course, that the food retailers by and large base their final costs on the percentage mark-up.

THE ACTING CHAIRMAN: Have there been any abuses in this connection?

MR. COPES: I have not studied the retail food prices in sufficient detail to give an opinion on that. I would say in connection with that, the effect on the competitive position in manufacturing for Newfoundland is adverse by the higher cost of living here. It means that the Newfoundland employer has to give a larger monetary wage in order to give an equivalent real wage to his workers as that enjoyed by his Mainland competitors. In other words, the monetary wages have to be kept up in order to provide the Newfoundland workers with a decent living and a richer increase in monetary cost of production in Newfoundland relative to the Mainland. Newfoundland has a hard enough time keeping its labour force fully employed and the increase in the cost of living is making this problem considerably more difficult.

COMMISSIONER ANSCOMB : Could I ask, would you say the wage structure generally in Newfoundland would be less than in the central provinces of Canada?

MR. COPES: Indeed, sir. The average wage level in monetary terms is lower here than in



central Canada; in real terms it is lower yet because of the higher cost of living. That concludes what I have to say, sir.

THE ACTING CHAIRMAN: Well, I think we are indebted to Dr. Copes. May I suggest this, Dr. Copes and I will also address the Premier and Mr. Lewis: we are trying as a Commission to follow what has been done by past Commissions in that we are taking meetings on the record and trying to get as much as we can by conferences of Governments and others off the record so that we can get the facts and do what we can for this country. Dr. Copes is an economist and our Secretary happens to be a brother economist also, a professor in the University of Saskatchewan which does not hurt him. I would suggest that they get in a huddle after we adjourn and I think Mr. Anderson will appreciate it and I am sure we would.

COMMISSIONER GOBEIL: Dr. Copes, when was the last freight rate increase in Newfoundland?

MR. COPES: The last general freight rate increase took effect the 1st of December 1958. I should mention that the 17 per cent increase which took effect then was reduced to about 10 per cent on most class rates effective the 1st of August 1959. Unfortunately it is not possible to trace the effect of the reduction in August 1959 because the last consumer index which is available is of August 1959 before the effect could be felt of the reduction which



took place at that time. The last increase took place the 1st of December 1958 and the material which I have presented on charts 3 and 4 is to show what has happened since the last increase took place.

COMMISSIONER MANN: Dr. Copes, as an economist who is very much aware of the fact that his knowledge is vastly inferior to yours, I know how much work has gone into the preparation of this. I think, in fact I am sure that Mr. Anderson, our Director of Research and his staff will find it most useful to have this material. Now, I have a number of questions mainly for clarification of the record. Connecting up to the question of Mr. Gobeil, I could be subject to correction by Mr. McCoy and Mr. Ellicott who are with us, we can probably say the reduction that was made on August 1st, may have had an appreciable effect on the Newfoundland because the bulk of the traffic which you have had moving in at that time moved under competitive class rates which to my knowledge were not reduced. Now, I am turning to page 2 of your study and before I do so I notice you quite rightly have the comparison between Halifax and St. John's because of the availability of D.B.S studies. I wonder whether in your opinion a comparison of St. John's and Saint John New Brunswick would not have been more appropriate bearing in mind the relative sizes of the cities and another factor to which I will come in a minute.



MR. COPES: I think so. Not only because of the size of the city, Halifax is a somewhat larger centre than Saint John but also because Saint John's is closer to the Mainland average than Halifax's.

COMMISSIONER MANN: Now, I come specifically to one factor in your cost of living index and that is the shelter cost component. There I believe the comparison between Halifax and St. John's is perhaps the fairest in one sense and not in another. I think that there is general agreement that shelter cost component in Halifax is higher than any other Mainland centre. Would you agree with that?

MR. COPES: Yes. Well, I have no statistical evidence of that but I have heard from many people who have been in Halifax and have faced the problem of getting accommodation there that the cost of housing in Halifax is considerably higher than the rest of the Maritimes. I have also talked to Central Mortgage and Housing officials who have confirmed that observation. Therefore, if the difference in the shelter cost between St. John's and Halifax is larger, between St. John's and the rest of the Maritimes it is larger still.

COMMISSIONER MANN: Now, there is a factual correction on page 4 if you will permit me: you have sentence number 8 on that page:

"Almost all of this margin is accounted for by the 3 per cent sales tax which is levied on



most commodities bought in St. John's but which does not apply in Halifax."

We know, of course, that Nova Scotia now has a sales tax.

MR. COPES: That was not the case in the spring of 1955.

COMMISSIONER MANN: No, I realize that but I say now they have a sales tax?

MR. COPES: Yes.

COMMISSIONER MANN: On page 8, Dr. Copes, the ultimate paragraph:

"Railway freight rates also apply to C.N.R. boats sailing on Newfoundland ports. The C.N.R. boat service is competitive with other water carriers and there is a distinct tendency for the rates of these carriers to keep pace with those of the C.N.R."

Now, I think perhaps a more correct way of putting it would be that it applies to the rail component of a rate which is applicable to a movement over roads and coastal vessels. The coastal vessels rates have not been increased.

MR. COPES: Yes, I should perhaps have specified that a little more correctly but the indication is that this is bearing on the items that are moving in from the Mainland to Newfoundland. That is part of the railway freight rate structure in the coastal service.

COMMISSIONER PLATT: First of all, I



would like to say how much I appreciate this brief. I think this is a very useful contribution. Now, I was not quite clear whether I heard correctly or not when you said the cost of living in St. John's was lower than in the Island generally. Did you make that statement?

MR. COPES: Yes.

COMMISSIONER PLATT: Have you any estimate as compared with some of your industrial areas in other parts of the province at what the difference might be percentagewise?

MR. COPES: No, I have no estimate as between particular areas in Newfoundland. I have mentioned that the cost of living in St. John's is at least 2 per cent or 3 per cent below the provincial average. It would require quite a study to determine the relative areas of the province. All that can be said with reasonable certainty is that the cost of living in most parts outside of St. John's is considerably higher because St. John's is a main distribution centre. Everything comes through here and then it moves to other areas of the Island and it means additional transportation costs are incurred in that process. I do not think it is subject to any dispute that the other parts of the Island have a cost of living considerably higher than that of St. John's.

THE ACTING CHAIRMAN: That would be so



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Copes

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of food?

MR. COPES: Yes, and probably so of many other items as well which have to move via St. John's.



COMMISSIONER ANSCOMB : It is automatic, because of geography.

MR. PLATT: That would include such places as Corner Brook and Grand Falls?

MR. COPES: I think the cost of living is higher there, although, no doubt, not the same margin, because Corner Brook and Grand Falls do some of their own wholesaling. They get some goods in directly; and, therefore, everything going to Corner Brook and Grand Falls goes via St. John's. But, by and large, I think it is agreed that the cost of living is higher than it is in St. John's.

MR. PLATT: Thank you very much.

COMMISSIONER GOBEIL: Dr. Copes, I am not an economist, but I am exactly some kind of a biologist, I assume; but you mention the cost of living in Newfoundland up to 1955 was 13 per cent higher than in the balance of Canada. Isn't that right?

MR. COPES: The difference was between St. John's and Halifax.

COMMISSIONER GOBEIL: St. John's and Halifax; that is right. Your chart No. 4 is most interesting to me and a little bit intriguing. You have shown that in the matter of ten months there has been an increase of 8 per cent - 6 per cent - living costs went up in 1955 - rose 8 per cent more. In the food index only 13 per cent is mentioned, and



there was a $2\frac{1}{2}$ per cent increase due to

I forgot.

MR COPES: The sales tax?

MR. GOBEIL: Yes; and then there was 8 per cent due to food index. Would that mean we should add another 6 per cent from November 1958 until August 1959?

MR. COPES: These are two different cases.

THE ACTING CHAIRMAN: You are not comparing like with like?

MR. COPES: That is right. In the first place, this 13 per cent differential was the general consumers' price index, whereas, on chart 4 you find the food prices index. Chart 4 is the total over a 10-month period. All the figures have been reduced to the basis of a hundred. In other words, chart 4 shows the extent to which the gap has widened over the period. It doesn't show the level in St. John's; it just shows the extent to which it is greater in St. John's than any other places. It shows about an 8 per cent widening of the gap. Actually, food prices in St. John's were 23 per cent higher than in Halifax in the spring of 1955, and now they are probably 30 or more higher.

COMMISSIONER MANN: On this chart - I was looking at it again - I notice the slope of the curve rises particularly steeply from March on. Is



there any correlation between that steep rise in the slope compared to the previous rise of the slope - is there any correlation between that and the fact that summer supplies were coming in and prior to that time you were working on winter supplies, or, perhaps, some previous purchases?

MR. COPES: That is indeed the case.

There is a time lag there. If you look at chart 4 you will see from November to December and December to January the index moved hardly at all. In other words, that is where the higher prices did not take effect.

THE ACTING CHAIRMAN: And the goods were stored?

MR. COPES: Yes.

THE ACTING CHAIRMAN: In warehouses.

MR. COPES: I might also mention that the last month on chart 4, July to August, you find the index goes up for all the cities. This is the seasonal increase that takes place. That accounts for the particular rise in the last month; and it also goes up in relation to all of the areas.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: Has the production of food and food products increased in Newfoundland in the period you have taken of 1951 to 1959?

MR. COPES: I don't think so. There is no hard-and-fast statistics on it, but it can be seen



from the 1951 and the 1956 agriculture census that the total amount of land under cultivation has been reduced, and, therefore, there is the presumption that agricultural production is not going up; certainly not sufficient to meet our increased food needs.

MR.COOPER: Would it be correct to say that if agricultural production were increased it might overcome, to some extent, the problems of high food prices or the importing of food?

MR. COPES: If it could be done, or achieved; and one of the briefs, I believe, introduces that.

MR.COOPER: Has any study been made to determine whether it can be done?

MR. COPES: The Provincial Royal Commission on Agriculture has pointed out some areas in which extension of agriculture might take place. There are considerable hopes that something may be done.

MR.COOPER: In determining the impact of freight rate increases on food prices have you assumed each horizontal increase as applied to food - all foods coming in?

MR. COPES: I have. The study has the effect of tallying each one of those freight rate increases which have taken effect, and I have shown



the effect of the last one and the general effect of all freight rate increases combined, which is seen in charts 1 and 2.

MR. COOPER: Have you taken into account the competitive rates on agreed charges and the special arrangements for freight....

MR. COPIES: I have not analysed the material in that detail.

COMMISSIONER COOPER: Thank you.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: I have no questions; but we might apologize for our late arrival. It was because of circumstances beyond our control.

THE ACTING CHAIRMAN: Mr. Smith?

MR. SMITH: I have no questions.

THE ACTING CHAIRMAN: Thank you very much, Dr. Copes, for your help; and I suggest, again, that you see Mr. Anderson. You will be brothers in economics.

MR. COPIES: We have met previously already and recognized each other from previous occasions.

THE ACTING CHAIRMAN: I think we had better adjourn. We will do so until 4 p.m.

---Luncheon adjournment.



---Upon resuming at 4:35 p.m.

THE ACTING CHAIRMAN: Will you please come to order. I am sorry we are late but I can assure you that we have not been wasting time. We had a most fruitful meeting in camera with the Government of the Province and we enjoyed it tremendously. We discussed quietly and, I hope, sensibly, questions that affect this Island in the matter of transportation. If you will proceed, Mr. Lewis.

MR. ADAMS: Mr. Chairman and Commissioners: in the Submission of the Government of the Province of Newfoundland on page 14 there is a section dealing with less than carload shipments. You will note there that there is an allegation of dissatisfaction with this type of shipment, less than carload lots into Newfoundland. To point out the general discontent of the Newfoundland people with that type of shipment we propose to call Mr. P. Derek Bowering, as a witness. Mr. Bowering, you are engaged in business in the Province of Newfoundland?

MR. BOWERING: Yes, I am.

MR. ADAMS: What particular type of business?

MR. BOWERING: As a retailer in the department store business.

MR. ADAMS: What is the name of the company?

MR. BOWERING: Bowering Brothers.

MR. ADAMS: And this company, where



does it operate within the Province of Newfoundland?

MR. BOWERING: In St. John's, Grand Falls and Bell Island.

MR. ADAMS: What is your position in the firm?

MR. BOWERING: I am president.

MR. ADAMS: You have seen the submission of the Government of the Province of Newfoundland to this Royal Commission?

MR. BOWERING: Yes.

MR. ADAMS: There are certain allegations contained in that submission and perhaps based on your experience you would like to tell the chairman and the commissioners of the problems you have with respect to less than carload shipments.

MR. BOWERING: Yes, I would be glad to. Mr. Chairman, in the department store business one is particularly concerned with l.c.l. shipments and express shipments, since a department store deals in a tremendous variety of items, not many of them in great quantity at one time. Consequently, the variety of consumer goods that we bring into the Province, very few are made here, come largely in l.c.l. quantities.

If I may I would like to couple the express shipments with that because the two are totally



allied and our experience with one is very similar to what it is with the other. I can say that 90 per cent of the consumers goods that we sell through our stores come from the provinces of Ontario or Quebec. We find very considerable delays or very considerable lengths of time elapse between the shipment date on merchandise and the receipt of it here. We calculate that the average time of l.c.l. shipments from Montreal to St. John's is 30 days and many shipments run as high as 39 and 40 days and beyond.

I have picked out in sequence and not because of the length of time involved twenty shipments which arrived actually in the spring of 1959 which came from mostly points in Ontario and Quebec but some from Halifax. The shortest time of any one of them was 21 days and the longest was 40 days; the median figure is around 28 to 29 days. We believe that this delay factor increases the cost of doing business to a retailer in Newfoundland and that increased cost, of course, is absorbed by somebody, either the retailer the consumer or someone in this province. We believe from our own experience that the delay adds as much to the cost of doing business here as the actual increase in freight rates. We find it difficult to understand why these l.c.l. shipments should take an average of, I think a fair average is 30 days.



I understand from other sources with whom we correspond in Halifax, that their time from Montreal might be 10 days, and perhaps going as high as 20. Shipments by express, of course, used by us in a similar way, we use that mostly of course for merchandise that is more fragile or perishable from a fashion or seasonal point of view and we find in the elapsed time for a shipment from Montreal to St. John's would be six days, fairly regularly maintained and Toronto 7 days. This has in recent months improved considerably but we believe that the express service into Newfoundland is congested by a great many shipments that would normally travel by freight if the freight service was fast enough to bring them down within the requirements of the purchaser. We believe that our costs are driven up almost like a snowball. We cannot wait for the time for an l.c.l. shipment, so we and others for that particular merchandise ship by express but the volume that falls into the express category causes congestion there which slows down the express. We then move to the next stage of speeding things up which is air freight. This again is more costly and adds to the cost of consumer goods in the province. During the navigation season we use steamship services from the Lakes and from Montreal in preference to the railway for our l.c.l. shipments. The sailings are reasonably frequent and



we know that when our merchandise is on a boat it will be here in 5 days time. That would be an advantage in one way that prompt, fast rail service would enable us to ship any day of the week from our supplier but if the frequency of consumer sailings is sufficient we like using them and we find that on the whole we have less damage.

There is one other point I want to mention and is based on figures which I have. Because of the delays in receiving consumer goods in the Province, any store here, I believe, must carry a considerably higher inventory than its opposite number in the Province of Quebec. That adds very greatly to the cost of goods. Not only is your investment far higher but for every \$100 that you have invested in inventory more than your competitor, than another store elsewhere, you are running with much more risk of deterioration or going out of season or whatever it may be. The figure which I have is one from the Canadian Retail Federation summary of the year 1958. It shows that department stores in the Province of Quebec have an ending inventory of 20 per cent of their sales for the year - that is, roughly speaking they turn inventory over 5 times in the year. My own company's equivalent figure to that, and I do not think we are inefficient retailers, was 32.18 per cent which is more than half as much



inventory at the end of 1958 as we would have had to carry had we been operating in the Province of Quebec. I attribute that entirely to the delay in obtaining merchandise from our suppliers. The only place we can obtain 90 per cent of it is from the two major manufacturing provinces. I think that is all I have to say.

THE ACTING CHAIRMAN: Mr. Bowering, I wonder if you could tell us what the relative cost would be for the same shipment by water from Montreal, by freight, by express or by air freight in percentages. Which would be the lower, water?

MR. BOWERING: Water, I would say yes.

THE ACTING CHAIRMAN: How much lower would that be than rail, percentagewise?

MR. BOWERING: Not a great deal.

THE ACTING CHAIRMAN: Not a great deal?

MR. BOWERING: But it would be noticeably lower. Now, I have to speak in a certain amount of averages in a way because there are so many different rates applying to the various commodities. I would say that freight that costs 3 cents a pound by rail would cost 10 by express and $12\frac{1}{2}$ by air. Now, those are rather rounded figures.

THE ACTING CHAIRMAN: And less than 3 by water?

MR. BOWERING: Yes, a fraction less.

THE ACTING CHAIRMAN: I suppose you have



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Bowering

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made your complaints to the railways?

MR. BOWERING: Yes, regularly. I would like to add, if I may, that I would not like anything I have said to reflect on the local personnel of the railway who have always been most helpful and obliging.

THE ACTING CHAIRMAN: But you still have delays?

MR. BOWERING: But we still have delays, yes.

COMMISSIONER ANSCOMB : May I ask, Mr. Bowering, what percentage of your purchases would come l.c.l.? Would it be a large percent of your total business?

MR. BOWERING: Yes, the greater part. We do use pool car services of course but -

COMMISSIONER ANSCOMBE: I wonder if Mr. Boyd would like to tell the Commission why this l.c.l. would take so long. It is pretty difficult for me to think of 28 days from here to Montreal or from Montreal to St. John's. There must be some answer to that, Mr. Boyd?

MR. BOYD: I have no information at the moment as to these particular shipments. I do know the general situation and that there have been complaints across the whole system in l.c.l. and express and because of that we have recently set up a department of merchandise services. One of



the main objectives and purposes are that this department is to investigate these things and to do everything possible to eliminate the delays. That is a general statement and it may not answer the particular problem here but it will eventually help us reach for a solution.

COMMISSIONER ANSCOMB : You are investigating it now or is it a standard investigation that goes on continually?

MR. BOYD: The department was set up about a year ago for that purpose and it is going right across the system. Apparently we have not got to Mr. Bowering's problems yet.

COMMISSIONER BALCH: L.c.l. shipments are made up of various groups of shipments?

MR. BOWERING: Yes.

COMMISSIONER BALCH: And I understand that probably they will have four or five groups loaded in Toronto and some at Montreal?

MR. BOYD: That is right.

COMMISSIONER BALCH: And probably Newfoundland and other shipments placed in the car go to Moncton and are loaded and transshipped again and on to another point?

MR. BOYD: That is my understanding but I would like to ask Mr. Cooke if that is correct?

MR. COOKE: Yes, that is correct. The l.c.l. shipments are moving not only to Newfoundland



but also to the Mainland and for that very reason they have to be broken down several different times in transit. The time does seem very long but what Mr. Bowering said is correct.

COMMISSIONER BALCH: I know they do try if possible at the starting point if they can get a solid carload l.c.l. from one certain spot they will do that.

MR. COOKE: That is right and when they do that they get one of their better movements. Unfortunately in many instances these l.c.l's originate at different points on the line and the packing of these various shipments are done by freight trains which are operating in a consolidated way.

COMMISSIONER MANN: I have a couple of questions. That 3 cent per pound figure that you gave us earlier, is that the l.c.l. freight figure or the pool car rate?

MR. BOWERING: Well, there is a wide swing according to the classification. I have to deal with figures from \$2 to \$4 and I picked \$3 as a minimum a hundred.

COMMISSIONER MANN: Is it the median of the l.c.l. or pool car?

MR. BOWERING: L.c.l. because we are more concerned with l.c.l.

COMMISSIONER MANN: Your pool car costs would be lower than that and it would, of course,



take l.c.l. shipments.

MR. BOWERING: It would be somewhere between l.c.l. and cargo but we cannot always use a pool car service because of the many points of origin. Ontario is a big place and if everything originated in Toronto we could fit into pool cars by organizing our own car loadings or do a great many other things. However, because it is something from Toronto, something from Hamilton, something from London, something from Windsor or Sarnia, practically any town in Ontario you like to name, southwest Ontario, you cannot have your car in the right place for all of those and you do have to go into l.c.l. shipments.

COMMISSIONER MANN: May I just for the moment return to the pool car shipment because there is a connection there between the fact that l.c.l. shipments, as Mr. Balch pointed out, has to be collected and then shoved on.

MR. BOWERING: Yes.

COMMISSIONER MANN: Now, Muirheads and Cabot lines both operate pool car services into Newfoundland?

MR. BOWERING: Yes.

COMMISSIONER MANN: They are consolidators of these l.c.l. shipments among which might be yours at Toronto and Montreal. What I am trying to get at, we would like an explanation of why those



delays should occur. There you have not an individual l.c.l. shipment but a collection of l.c.l. shipments which move theoretically from origin to Newfoundland. Now, something happens somewhere along the line to make those shipments be in transit for 28 days. What I am trying to find out is this: where does the delay come? You have a solid carload albeit that might be a different shipment that goes to North Sydney and then Port-aux-Basques and then presumably into a box-car again, into a Newfoundland box-car and then presumably it goes to St. John's. Now, where in your opinion is the delay on the pool car shipments which is a solid carload of individual shipments.

MR. BOWERING: On the pool car shipment, a pool car organized by a regular forwarding -

COMMISSIONER MANN: Yes.

MR. BOWERING: There is not the same delay on that.

COMMISSIONER MANN: The pool car shipment took less than 28 days?

MR. BOWERING: Yes.

THE ACTING CHAIRMAN: Mr. Bowering was speaking of l.c.l.

MR. BOWERING: L.c.l., yes, originating at a point where there is no pool car facilities but the pool car services which we use where we can are faster than that. As a matter of fact, it beats me



in this way that one would think that with a point such as Toronto or Montreal which are the main supplying points of Newfoundland, I would think that between all the merchandise that is brought there every day to be shipped every day there would at least be a car or more than one car consigned entirely to St. John's and it becomes in effect a railway pool car that should go through as a carload and as fast as a carload. Apparently that does not happen. Small amounts accumulate at different points and it does not become a carload until it has reached some point, maybe even Sydney. I do not know. One cannot help feeling also logically that a rail car ferry into Newfoundland from either Sydney or Halifax, possibly into an east coast port which carried the cars complete and had a third rail in Newfoundland which would mean only one transfer from box-car to box-car would be a source of removing some delay. I am a little bit off the subject now but I think the third rail in Newfoundland is important because surely we cannot look forward to a perpetuity of narrow gauge railway in the Province. If the ferry was built to fit it -

COMMISSIONER MANN: You gave us a low of 3 cents and said water was a fraction lower for l.c.l. per pound and a high of $12\frac{1}{2}$ cents for air cargo.

MR. BOWERING: Yes.



COMMISSIONER MANN: Now, we want to look into the future in the work we do. At what point between these two ranges or within that range do you think air cargo would, bearing in mind your inventory position, be a remunerative way to ship? Six cents? Seven cents?

MR. BOWERING: Well, there is a great deal - if it was six cents, a great deal of merchandise could be moved that way. There would be the widest kind of guessing to say how much. Obviously if air cargo and express rates were equal we would ship all our express merchandise by air.

COMMISSIONER MANN: And your express rate was how much, now?

MR. BOWERING: The express was roughly 10 cents a pound. It would be difficult, without going into a considerable amount of research, to take a common figure to cover the freight charges.

MR. BALCH: Pardon my ignorance, but this boat that crosses over, at the present time you tranship from North Sydney into the boat, is that how it is done at the present time? The freight cars don't come over in the boat, but the intention is, I believe, if the freight rate is increased, that you would put the car on the ferry, and that would have to be a different ferry?

MR. BOWERING: It would have to be an additional ferry.



COMMISSIONER BALCH: Very much like the one that crosses over to Charlottetown?

MR BOWERING: Yes.

COMMISSIONER BALCH: Thank you, that is all.

THE ACTING CHAIRMAN: Yes, Mr. Lewis?

MR. LEWIS: This is Mr. John B. Angel.

What is your position, Mr. Angel?

MR. ANGEL: President of the United Nail and Foundry Company Limited.

MR. LEWIS: Is that a local company?

MR. ANGEL: Yes.

MR. LEWIS: Where is it established?

MR. ANGEL: St. John's.

MR. LEWIS: In what is it engaged?

MR. ANGEL: Principally in manufacturing and also distributing of heavy metal products.

MR. LEWIS: Now, I think you wish to speak to a heading in the Newfoundland Province Brief in relation to the position of manufacturers in this Province, is that so?

MR. ANGEL: Yes.

MR. LEWIS: Will you please continue.

MR. ANGEL: Gentlemen, I have set down a few comments here so that I can keep to the subject.

I speak as a manufacturer and representing a manufacturing industry which has been in existence for 103 years. It is typical of Newfoundland's secondary manufacturing industries, of which there are



a number in this part of the country and a number have come into being across Newfoundland in recent years.

The transportation of raw materials to these various enterprises and the subsequent costs of distribution of their finished products to various points in Newfoundland are vital factors in the well-being of these industries. I refer particularly to these secondary industries that import raw materials or get them from the Canadian Mainland, and their markets are principally in Newfoundland itself.

I interpret the appointment of this Commission as recognition of the fact that if Canada is to be a fully integrated country, every effort must be made to provide an equality of opportunity for these industries. This is particularly so in Newfoundland where one can go from St. John's to Europe and back again in about the same time it takes to go to Vancouver. I believe figures would show that all goods coming to Newfoundland from all over the world, that a very high percentage comes from the mainland of Canada.

Those figures would also show that of all the products that leave Newfoundland in the export business, such as pulp and paper, fisheries and mineral products, that only a small amount goes to the Canadian mainland and by far the greater percentage goes to other world markets.



Furthermore, if Canada is to take its place in the prosperity of Canada as a whole, something must be done to improve this trade balance.

At the present time most manufacturing industries in Newfoundland acquire their basic raw materials from the Canadian mainland and they have to be brought into this country, made into finished products and are distributed very often back over the areas over which the raw materials came.

The future of these industries can be largely influenced by two main factors; it must be made possible for them to obtain the raw materials from the rest of Canada in bulk and at an attractive rate and, two, there must be attractive transportation charges for the delivery of the finished goods by these industries to their customers within Newfoundland, and also encouragement given to the shipment of these goods back across the Cabot Strait to the Canadian mainland. In both of these fields the railway and the coastal services must play a dominant role.

At the present time no industry in Newfoundland is able to acquire from the Canadian mainland or the American mainland liquids or solids as a bulk carload. In other words, if we require a carload of acid or a carload of oil or a carload of any other liquid in bulk, it is necessary to have these materials put up in drums or carboys, where



both the initial cost and the transportation costs are much higher than if the products could be moved in bulk. The same applies to the importation of coal, coke, sand or any other solid commodities, where it is necessary to have these materials bagged before the railways on the Canadian or the American mainland will except them for shipment to Newfoundland. I cite the case of moulding sand, which leaves the pithead in Albany, New York, for \$5 a ton, and by the time we get it here it costs over \$50. I cite the case of coke; you can't buy coke from Sydney, Nova Scotia, in bags because it is cheaper to get it from Europe. It is true that one can buy a schooner load or a steamer load of some of these materials in bulk, but there are not too many cases and particularly as far as small industries are concerned where this is true.

While I have mentioned the movement of raw materials to Newfoundland in bulk carloads, there is also the traffic in the opposite direction. I am quite sure there are a number of local industries in Newfoundland who would benefit materially if their finished products, such as oil, cement, limestone and other products could be moved in bulk from Newfoundland west, and this at the present time can only be done in vessels which are made especially for the movement of such cargoes.

In my opinion, the only answer to this



is a rail car ferry from North Sydney to Port-aux-Basques, and a standard gauge railway from Port-aux-Basques to St. John's. The rail car ferry is an absolute must, as a first step, with trans-shipment of goods from the wide gauge to the narrow gauge cars possibly at Port-aux-Basques. This would make possible the shipment of certain of these raw materials to Newfoundland in bulk, although there would be a trans-shipment problem between the two size cars. However, that would be a tremendous step, to get the rail ferries. In my opinion, the standard gauge railway is also a must for Newfoundland sometime in the future, and I believe that as time goes on this will show up more and more.

I believe that the principle of a standard gauge railway in Newfoundland should be accepted in the immediate future, and that any improvements or changes in the rail service to Newfoundland should be done with this in mind, rather than to make the final realization of this project more difficult.

Here again, if Newfoundland is to be part of Canada, traffic must flow across the Cabot Strait as though it was an all-rail service. We find that there are delays in transportation on heavy products to Newfoundland, very much as Mr. Bowering mentioned before, and then in our case we are dealing in non-perishables and our cars naturally are put aside



and the perishables come through, and I could cite a case where even from Sydney, five cars originating in Sydney over a period of five weeks, we wouldn't receive one of those cars here in St. John's and these were all 30-ton cars in that province. There is also the fact that we still don't have much better facilities for the handling of heavy cargoes across the Cabot Strait than we had 20 years ago. Because of these delays in shipments and the fact that at present stocks must be put in more heavily in the fall of the year, we must protect ourselves with heavy inventories because of these delays, and these all add up to higher costs of production here in Newfoundland, and where Mr. Bowering said that it was 32 per cent of his inventory price, I would say that in our business it is pretty close to 40 or 45 per cent. Here again it is obvious that a rail car ferry would improve this situation tremendously.

Now, I would like to say something about the damage to goods. It would almost appear that the more indestructible the product the greater the damage, as far as we are concerned. I think I must state an example and bring that point home. In a recent case within the past month where 30 tons of steel bars left the Canadian mill, and comprised of 3/8 and 1/2 inch bars and they are in 10 bundles, which is the normal shipping basis on the Mainland;



now, we received those in one huge conglomeration with something like over 7,000 bars on the wharf. One was broken open and they were all mixed up and that is typical of what can happen, but I don't say it does happen all the time. It is the higher cost to manufacturers and shippers down here. Here again I think you will agree that if these goods could be trans-shipped on standard gauge that that would immeasurably improve the situation.

The other big factor as far as secondary industries are concerned, is the cost of distribution of the finished goods. Most secondary industries look to Newfoundland as their main market rather than the Mainland of Canada. The Maritimes Freight Rate Act came into being many years ago to provide what I presume would be a certain equality of opportunity for the Maritime Provinces of Nova Scotia, New Brunswick and Prince Edward Island. I say that this is sound in principle, but it should be extended to even a greater extent in Newfoundland. Our costs of production are high down here and I have indicated how most of our materials come from the mainland of Canada here to Newfoundland for distribution back over Newfoundland, and I think that the principle of the Maritimes Freight Rate Act is sound for the Maritime Provinces, and if that is so in the Maritime Provinces then it applies even more so to Newfoundland, and the simple remedy would be



to make it possible for a further 20 per cent reduction of freight rates. I don't say that the freight rates would have to be reduced by that much, but the basic structure should be the same as the Maritime Provinces except another 20 per cent lower at some point.

The inauguration of a rail car ferry and a standard gauge rail service in Newfoundland to make possible bulk shipments and a lower freight rate structure within the Province itself and west to the Canadian Mainland, would go a long way to providing that equality of opportunity in Newfoundland to which it is entitled as part of the Canadian nation.

THE ACTING CHAIRMAN: Mr. Angel, what you are in effect suggesting is that the principle of the Maritime Freight Rates Act be extended so that it covers raw materials eastbound into the area?

MR. ANGEL: No sir, I don't mean that exactly; I am thinking about the situation where the movement of freight originated within the Maritime Provinces to any other points within the Maritime Provinces or west to other parts of Canada, those rates are on a basis of 20 per cent lower than the regular rate, whatever the rate is, and I think in Newfoundland it should not only be that but it should be another 20 per cent.

THE ACTING CHAIRMAN: On top of that?



MR. ANGEL: Yes, on top of that.

THE ACTING CHAIRMAN: But then, you also want raw materials eastbound as well, the reduction on that? You don't say that?

MR. ANGEL: No, I don't say that.

THE ACTING CHAIRMAN: Now, on the matter of conversion from the narrow gauge to the standard gauge, have you any idea of what the cost would be?

MR. ANGEL: I should imagine it would be quite tremendous, yes.

THE ACTING CHAIRMAN: I believe that at the time of the union it was considered, and then 12 years ago it was found that it was \$50 million; does that agree with you?

MR. ANGEL: I would be happy if it were only that; I have heard much higher figures.

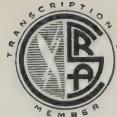
THE ACTING CHAIRMAN: That was 12 years ago and costs have gone up since that time, but you still urge that?

MR. ANGEL: I still urge that?

THE ACTING CHAIRMAN: Yes.

MR. ANGEL: Yes, I do, sir; I do feel that as we are an Island and always will be an Island, unless we can provide some ready access across the gulf, provide an all rail shipment and to provide bulk transportation that we are always going to be at a disadvantage.

COMMISSIONER ANSCOMB : I find this



Submission extremely interesting. There is no doubt from the manufacturers viewpoint that with any bulk cargo coming in - I don't know how you get along with a lot of things, your costs must be completely out of proportion. Did I understand you to say that you can buy coke in bags delivered from Europe cheaper than you can get it from Sydney?

MR. ANGEL: Yes, it has been so for the last few years.

COMMISSIONER ANSCOMB: From Germany?

MR. ANGEL: No, from England.

COMMISSIONER ANSCOMB: Would you mind telling me - if you don't want to, don't do it - in the normal way of your business how far west do you go in shipping out, do you ship -

MR. ANGEL: We ourselves only ship to the Newfoundland market.

COMMISSIONER ANSCOMB: You only ship to the Newfoundland market?

MR. ANGEL: We have a subsidiary in North Sydney.

COMMISSIONER ANSCOMB: Oh well, that is not a problem. The only other thing I was going to ask, and which doesn't matter on that basis, I was going to ask if your labour costs here would be the same or higher than a competitor of yours in the same type of business in the central provinces of Canada?

MR. ANGEL: Well, I know from experience



that the rates in labour generally in Newfoundland are not too bad, even though they are in many cases lower than for parts of Canada and even in the Maritime Provinces, but our costs of producing goods here are substantially higher and I have given you very many factors for that.

COMMISSIONER ANSCOMB: That doesn't off-set in any compensatory way the fact of your having to bring in your raw materials on an overly inequitable basis?

MR. ANGEL: Yes.

COMMISSIONER ANSCOMB: Thank you.

COMMISSIONER GOBEIL: You mention, or referred to, another ferry at Port-aux-Basques. Were you referring to Bay d'Espoir?

MR. ANGEL: I did not mention another ferry. I mentioned the necessity of a rail car ferry from Port-aux-Basques to North Sydney.

COMMISSIONER GOBEIL: Thank you.

COMMISSIONER BALCH: I have a question which, I think, I might direct to you, Mr. Minister: What are the physical characteristics at the present time of your road bed? Would they take larger freight cars and so forth? I don't know what your road bed is like. I notice it takes 22½ hours to get here from Port-aux-Basques. What kind of road bed is it?

MR. LEWIS: Mr. Cooke is here and he can



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Angel

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answer your question. He is the manager of the Newfoundland Railway

MR. COOKE: The road bed is improving from year to year. We are spending a lot of money each year on the road bed. Since Confederation the road bed has been about 95 per cent equipped with treated ties, the majority of which are hard wood. In addition to that we have high-plated about 95 per cent of the road also. The road bed now is capable of handling locomotives of approximately 110 tons and, likewise, it would be capable of handling car equipment of the same overall maximum capacity. But our maximum capacity car in the district is a 60-ton car. Normally our cars are 30 and 40 tons.

The road bed has got a number of curves far in excess of what you would find on a first class main line on the Mainland, but that is not the main governing factor where speed is concerned. There are also some severe grades which have the tendency of restricting the speed to some extent as well.

COMMISSIONER BALCH: And tonnage, I suppose?

MR. COOKE: Yes. The maximum speed for passenger trains in this district is 45 miles an hour, and the maximum speed for freight trains is 30. Oddly enough the average speed of all



trains in this district is only about 4 miles slower than it is on the Atlantic Region; so while the speed so far as manifest trains are concerned is much slower than what it would be for a manifest train on the Mainland, the overall picture isn't bad.

In another four or five years, or possibly 10 years, we have a programme all set up whereby the rail will be increased in weight from 70 pounds to 85 pounds. They put 20 miles in this year and next year they will put 40 in; so that the overall picture of the rail bed is improving. But it still is 36-inch gauge. That restriction does bear on what Mr. Angel has suggested, or has mentioned, when it comes to bulk shipments; but it doesn't only apply to the railway. There is no means of transportation in Newfoundland to handle bulk shipments of his type; so in that respect he is at a disadvantage to similar things on the Mainland.

COMMISSIONER BALCH: Thank you.

COMMISSIONER MANN: I suppose, Mr. Angel, what you have told us isn't so much a criticism of Canadian National as it is a criticism of the system under which it has to work?

MR. ANGEL: Yes; in my entire remarks I am not speaking specifically about Canadian National. I think, personally, that Canadian National is doing a tremendous job. There has been a tremendous lot of new equipment put in, and the increased traffic



that it gets compared to ten years ago is fantastic.

But I think the railway is doing a tremendous job.

These are other matters which go beyond the railway.

COMMISSIONER MANN: This is a description of a system which, right now, is being handled one way and which, you think, should be handled another way?

MR. ANGEL: Yes.

COMMISSIONER MANN: You have told us about bulk cargo and the impossibility of shipping bulk cargo by rail in Newfoundland. You have advocated the institution, or the building, of a rail car ferry and that there should be standard gauge on the entire Newfoundland trackage. Bearing that in mind, what do you think of the suggestion made by the Province of a rail car ferry and a third rail to help in the transfer of bulk shipment?

MR. ANGEL: Oh, yes; I think I indicated that I felt that that was a first step; but what I don't like is the suggestion that we should be precluded from having the standard gauge for Newfoundland, because I do feel that if we are to be part of Canada then it must be here. The railway means more in Newfoundland than it does in any other part of Canada. We are never going to have the movement of traffic by truck in Newfoundland that you are going to have on the Mainland; I think the physical conditions are such as to preclude that.



Therefore, the railway is important to us, and I think the principle we should always follow is when can we have the standard gauge, and anything done now shouldn't make the realization of that project more difficult.

COMMISSIONER MANN: You have told us about bulk cargo. You are speaking, I presume, on behalf not only of your firm but also of other manufacturers?

MR. ANGEL: Yes.

COMMISSIONER MANN: Could you tell us a little more about the other articles? Are there articles that are prohibited, or are there any packaging restrictions on shipments?

MR. ANGEL: Well, one I can mention is a carload of sand....

COMMISSIONER MANN: I realize that; but I was not thinking about bulk at all, but talking about packaged goods. Are there any restrictions on a shipment of packaged goods.

MR. ANGEL: We are finding this, that on the railway the standard package for steel bars and so on is 5 ton. We haven't so many tons - possibly not more than $2\frac{1}{2}$ tons; and for that we have to pay a higher rate. We have to pay so much more by virtue of that. If we got it down to one ton we would have to pay even more. To my mind that is a terrific restriction. It is accepted



all right, but why should we have to accept a full carload like that which left a few hundred miles away, and we accept it down here as so many thousand single bars?

COMMISSIONER MANN: Thank you.

COMMISSIONER ANSCOMBE: Could you briefly elucidate one of your comments? I think you said that the physical difficulty of building roads would preclude the Island even from having an extensive freight trucking service. What do you mean by that?

MR. ANGEL: Well, of course, at the present time we can't drive across Newfoundland; we are just sort of coming to that point; and it is possible, I suppose, that the roads will improve tremendously, but I don't think that this coming into Newfoundland through Port-aux-Basques - I don't think much of that will move by truck across Newfoundland. I mean, conditions in the winter are bad, and I think the railway will always play a dominant role.

COMMISSIONER BALCH: This is quite a big expenditure for the Government to build towards having this standard gauge railway. Suppose the railway meets, in the future, as it has done on the Mainland, with competition from better highways and trucking. Suppose you have that in the future and are faced with what, we think, is unfair competition from the highways? All the money is expended. I know that is looking to the future, but I think



that possibility is there.

MR. ANGEL: Well, that is so; but, on the other hand, at least we won't be any worse off than the large part of Canada. I don't think you could say we must only have the railway and nothing else. The other may come along with better roads, but I can't quite see the movement of all that traffic across the gulf by truck. I think it has to go by the railway anyway.

COMMISSIONER BALCH: Eventually?

MR. ANGEL: Yes, it must.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: Mr. Angel, you gave a rather striking example with regard to moulding sand. You bring it into the Province, of course, in connection with your manufacturing operations. If my note is right you said the cost of that moulding sand in New York was \$5 and by the time you get it here, landed in Newfoundland at your plant, the cost of the sand is up to \$50. Is that correct?

MR. ANGEL: Well, I would say the cost at the pithead, where they take it out and put it in gondolas - at that point it will cost five or six dollars; but by the time we get it it is fifty dollars.

COMMISSIONER COOPER: Do you know how much that moulding sand would cost, landed, say, in Sackville, New Brunswick?



MR. ANGEL: Well, I know the net amount; it will cost \$15 or \$18.

MR. COOPER: So there is a cost, in moving moulding sand from North Sydney into St. John's, Newfoundland, difference of \$15 or \$18 and \$50?

MR. ANGEL: Yes.

COMMISSIONER ANSCOMB: Would there be any duty on that \$18 and the \$50?

MR. ANGEL: No, I don't think there is any duty on moulding sand.

MR. COOPER: Would you take another example of the raw materials you bring in? You mentioned acid, I think?

MR. ANGEL: Yes.

MR. COOPER: Where do you get the acid from?

MR. ANGEL: Hamilton.

MR. COOPER: How much does it cost to bring in - and perhaps you can give me a unit quantity of acid from Hamilton to St. John's?

MR. ANGEL: Well, I haven't the latest information on bulk shipment there, but when I looked into it a few years ago the comparison between such acids in tank cars and in drums is almost two to one. In other words, the tank car price was less than a dollar, whereas the drum price is a dollar-fifty or a dollar-sixty.



MR. COOPER: Assuming, then, you bought a tank car at Hamilton that would be, let us say, a dollar, but on account of the difficulty of getting it into Newfoundland it is a dollar and a half or a dollar-eighty?

MR. ANGEL: At the plant; and then there is the higher cost of transportation of the drum as compared with the bulk.

MR. COOPER: What would that amount to?

MR. ANGEL: Well, I frankly don't know what it would cost to bring it in in bulk, but I know the cost of the acid coming to the plant - I would say \$4.75 per hundred pounds.

MR. COOPER: How much would it cost to land that acid, let us say, at North Sydney in the tank car?

MR. ANGEL: I will be making a bit of a guess, but I would say it would be something slightly over \$2.

MR. COOPER: There, again, the difference between \$2 for one hundred pounds and the \$4.75 is what it costs to get it across the water and into St. John's?

MR. ANGEL: Yes.

MR. COOPER: As against the North Sydney price?

MR. ANGEL: Yes.



MR. COOPER: What other raw materials do you bring in?

MR. ANGEL: I think I mentioned coke, actually. I think I mentioned that as one of the items because of its bulk.

MR. COOPER: You have it bagged?

MR. ANGEL: Yes.

MR. COOPER: How do you get that in from England?

MR. ANGEL: Bagged.

MR. COOPER: It is in bags from England?

MR. ANGEL: Yes.

MR. COOPER: What is the difference in cost between bringing it from England and bringing it over from Sydney?

MR. ANGEL: In Sydney - between seven and eight dollars a ton, I would say.

MR. COOPER: Thank you.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: I have no questions.

THE ACTING CHAIRMAN: Mr. Dickey?

MR. DICKEY: Mr. Angel, in speaking of the trucking of materials of that kind - steel bars and steel rods and so on - you do transport by highway transport from the Mainland?

MR. ANGEL: I understand that is so.

MR. DICKEY: And I took it from your



answers to the Commissioners that you were thinking of highway transport in Newfoundland in terms of movement across from North Sydney to Port-aux-Basques and then over to St. John's; is that correct?

MR. ANGEL: Yes.

MR. DICKEY: What would be your opinion with respect to the impact on that particular situation of a ferry that would be able to carry highway transport trucks and automobiles, for instance, to Argentia and land there? Would that be a more convenient form of truck transportation?

MR. ANGEL: Well, I am interested in the origin of some of these shipments, but that is another point. What I meant there was that I couldn't imagine trucks with 20 or 30,000 tons of steel bars leaving Hamilton and coming right to St. John's. I don't know if that is practicable.

MR. DICKEY: It is not practicable at the present time.

MR. ANGEL: Certainly not, no.

MR. DICKEY: But I am directing your attention to the provision of facilities for transporting highway trucks from the Mainland to Argentia on the ferry. Would that, in your opinion, be a convenient method of putting highway



transport in to serve the area in which you are established?

MR. ANGEL: No, I don't think that would affect the picture at all. I would imagine that the transportation of heavy equipment like that from Sydney to Argentia is a much more difficult problem than the movement of trucks across to Port-aux-Basques; it is a much longer sea route. I don't see how it would be practicable.

MR. DICKEY: Well, I am suggesting to you that a proper ferry would be a very practicable means of doing it.

MR. ANGEL: If it could be done we would be quite happy. All we are interested in is receiving raw materials at the mill at prices which are consistent with the mainland of Canada.

MR. COOPER: And the major difficulty that you are facing now is the fact that you are faced, when bringing them in in bulk, with this trans-shipment problem.

MR. ANGEL: Yes.

MR. DICKEY: And if that trans-shipment problem were eliminated by means of a ferry that would take bulk cargoes loaded on highway transport that would solve your problem?

MR. ANGEL: It would meet it, yes.

MR. DICKEY: That is all, thank you.

THE ACTING CHAIRMAN: Well, it is twenty minutes to six. You have three witnesses



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yet, I gather, Mr. Lewis?

MR. LEWIS: Yes - in fact, we have four witnesses.

THE ACTING CHAIRMAN: Will you be here at 10:00 o'clock in the morning?

MR. LEWIS: Yes.

THE ACTING CHAIRMAN: We will adjourn until 10:00 o'clock tomorrow morning.

---Whereupon the hearing was adjourned, to be resumed at 10:00 o'clock, on the 18th day of November, at St. John's, Newfoundland.

ROYAL COMMISSION
ON
TRANSPORTATION

HEARINGS

HELD AT

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the Colonial Building, St. John's, Newfoundland, on the 18th day of November, 1959.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. F. W. Anderson Secretary

In the absence of The Honourable Mr. C. P. McTague, Q.C., Mr. M. A. MacPherson, Q.C. presided.



St. John's, Newfoundland,
Wednesday,
November 18, 1959.

---On resuming at 10.00 a.m.

---Submission of the Government of the Province of Newfoundland continued.

THE ACTING CHAIRMAN: All right, gentlemen, if you will come to order. Mr. Lewis?

MR. LEWIS: Mr. Chairman, if I might I would like to file as an exhibit under the evidence of the Province of Newfoundland, Mr. Angel, who testified yesterday afternoon, Tariff CR-200.

MR. COOPER: That will be Exhibit 39.

---EXHIBIT NO. 39: CNR Tariff CR-200 Rules 34 and 35.

MR. ADAMS: Mr. Chairman, I propose now to call Mr. Badcock. Before we proceed I will call your attention to page 10 of the submission and it will be within that that Mr. Badcock will be speaking. In the addenda, Mr. Chairman, the index to the addenda refers to a brief relative to index No. 3 which refers to a brief relative to livestock. Actually, Mr. Chairman, that should be Item 2 instead of 3. There is a submission in the addenda on agricultural products which should be Item 2 instead of 3. Item 2 was not in the addenda.

Now, I will call on Mr. Badcock. What is



your occupation, Mr. Badcock?

MR. BADCOCK: Director of Agriculture of the Province of Newfoundland, under the Department of Mines and Resources.

MR. ADAMS: In your position, then, Mr. Badcock, your directorship is concerned with agriculture, with all agriculture, within Newfoundland?

MR. BADCOCK: Well, no, that is not quite so. There are two government agencies in the province, federal and provincial. The federal agency is concerned with certain functions, that of inspection and research, and all other functions come within the province, and that includes the marketing of agricultural products, which is the subject of this submission.

MR. ADAMS: You are aware that in the submission of the Government of the Province of Newfoundland there is a section dealing with agricultural products and livestock products within Newfoundland?

MR. BADCOCK: Yes.

MR. ADAMS: And of course I presume you are aware of certain difficulties pertaining to this agricultural and livestock production in the province with reference to rail rates?

MR. BADCOCK: Yes, I am.

MR. ADAMS: Would you advise the Commission of the particular problems with which your Department is faced in this respect?

MR. BADCOCK: Yes, I shall.



MR. COOPER: May I ask what page of the submission?

MR. ADAMS: Page 10 of the submission and item 2 in the addenda.

MR. BADCOCK: Mr. Chairman and members of the Commission: on union with Canada in 1949 the farming industry of Newfoundland was faced with a very difficult situation. The effect of union was probably more felt by farmers than any other group. This was so because of the fact that a protective tariff which was placed on agricultural products, mainly vegetables moving into this province, gave our farmers a measure of protection. They enjoyed the privileges of a flat freight rate in the movement of any quantity of vegetables from one point in Newfoundland to another. Immediately they were faced with their competition from the more favoured areas of the Maritimes and Upper Canada with regard to the vegetable market in this province.

Our farmers met this challenge by increasing their operations, expanding their operations, increasing their acreages of land under production, through taking advantage of farm loans through the provincial government and also loans were made available by the federal government to all the banks under the Farm Improvement Loans Act. In many ways they hoped to meet this competition. They did not, however, in their planning feel that they would be confronted



with a subsidized programme of sales by another province of their vegetable crops into Newfoundland. This is the point of contention at this time.

Last year in August the Family Herald in a series of articles on problems in agriculture throughout Canada carried an article in question and answer form by the Minister of Agriculture of the Province of Prince Edward Island. In that article he stated in reply to a question:

"Q. Do you assist shipping of your farm products by water?

"A. Yes, we have a shipping service to Newfoundland for farm products on which the province pays 20 per cent and the federal government 80 per cent of the costs. The service operates weekly, eight months of the year."

To a second question:

"Are you shipping farm products to the mining areas in Quebec and Labrador?

"A. Yes, we have chartered a 700-ton diesel-powered boat to make regular trips to the north shore of Quebec and the west coast of Newfoundland."

Immediately this became known our farmers and the Department which I represent became quite concerned in the matter because we felt an unfair trade practice had been established in that another province of Canada was being subsidized to move



vegetable crops in competition with our own farmers into this province. What makes it worse, they were subsidized to send vegetables into a captive market because we are a captive market in regard to vegetables. By law the Newfoundland farmer is prohibited from sending any vegetable crops outside Newfoundland because of the fact that we have black wart or canker in the soils of Newfoundland and it is non-existent in the rest of Canada and the United States. That is an unfortunate situation as far as we are concerned yet does create that position which I have just stated. As a matter of fact, very strong measures are taken to see that no products do get out of Newfoundland, so irrespective of what the opportunities are or might be for production of a vegetable crop in Newfoundland which can have sales on the mainland, we have to face this fact.

Our farmers have open to them the only one market, that of Newfoundland.

This subsidy, as stated by the Minister of Agriculture for the Province of Prince Edward Island, is paid 80 per cent by the federal government and 20 per cent by his own province, and it totals something like \$120,000 a year and is paid by the Canadian Maritime Commission, at least that 80 per cent of it, by the Canadian Maritime Commission to a shipping company the name of which I have here -- I think it is the Northern Gulf Shipping Company. Their boat,



the SS Fergus makes regular trips to the east coast area that is mainly St. John's. I understand there is this year no service into west Newfoundland as was stated in the interview of a year ago.

A comparison of rates by the carrier of P.E.I. farm products into Newfoundland and by the C.N.R. shows that the subsidy is considerable. At present rates on the boats it is 82 cents per hundred pounds for potatoes and 84 cents per hundred pounds for turnips. Perhaps equally important as these figures is the fact that these products can move in quantity, be it ten sacks or thirty thousand bushels that comprise a carload.

The potato rates from Charlottetown to St. John's are 97 cents per hundred pounds, and \$1 for turnips, so that there exists a subsidy of 15 cents a hundred pounds on potatoes and 16 cents a hundred pounds on turnips coming into this province. We feel and our farmers feel very strongly that this is an unfair practice and coming as it does at the time when our farmers have their main crops for sale when trading under this practice is at its height, it imposes even a greater difficulty.

Now, we have gone into rates from some local points in Newfoundland to others, and let us take the farmer in west Newfoundland who has to market his crops in the St. John's market, which is the biggest market in Newfoundland. He has to pay a CNR rate of 77 cents per hundred pounds on potatoes but that



is by the carload lot of 30,000 pounds. If he were to move a lesser quantity at l.c.l. rates he would be paying from \$1.24 to \$1.33. On turnips it is a cent or two extra, something like 79 cents per hundred pounds. There is then a difference of 5 cents per hundred pounds for shipment of farm produce from Prince Edward Island to St. John's as compared with our local farmer shipping his produce in from Doyles to west Newfoundland. We are not at all anxious to disturb that situation in the island. There are benefits to Newfoundland and we would not for a moment recommend any steps be taken to change it. We do recommend, however, that our farmers be given a rate on CNR to restore the competitive position, to give them the advantages which geography has provided, which benefits are to be considered in general industry and as a standard we would suggest that the difference between the CNR rates at both points and then using the rate of the shipping company we arrive at a new rate for the movement of produce from points in Newfoundland to markets and in any quantity, not simply by carload lot, but in any quantity.

May I suggest that as this difference between the prevailing CNR rates on a cost basis is 20 cents, 97 cents in Prince Edward Island, or to St. John's 77 cents at Doyles to St. John's, that the rate at Doyles be reduced to 62 which will then give them equal advantages with the movement of Prince



Edward Island produce into Newfoundland by water transportation. Of course, I have suggested one point only, but there are many other points on shipment in the province. Having established the principle of the reformity, it would then be a relatively simple matter for the rates to be worked out at other points.

Thank you, gentlemen. That is my submission.

THE ACTING CHAIRMAN: Mr. Badcock, what percentage of the population of the island are farmers?

MR. BADCOCK: Did you say percentage?

THE ACTING CHAIRMAN: Yes.

MR. BADCOCK: I cannot give you any percentages but I can tell you that there are some 3,500 to 4,000 families engaged in farming to make the greater portion of their income -- 3,500 to 4,000 people who are classed as commercial farmers.

THE ACTING CHAIRMAN: Is that people or families?

MR. BADCOCK: Units of families.

THE ACTING CHAIRMAN: Now, for the information of the Commission we have a map before us, and what parts of the island are best suited to agriculture?

MR. BADCOCK: The whole St. George's district.

THE ACTING CHAIRMAN: That is on the west coast?

MR. BADCOCK: Yes.



THE ACTING CHAIRMAN: As far as it can be from the Avalon peninsula?

MR. BADCOCK: That is the farthest point from the peninsula.

THE ACTING CHAIRMAN: That is the market?

MR. BADCOCK: Yes. Then there is another relatively large area and an area for greater development in the upper Humber where after the war a group of veterans settled on farms. There has been quite an expansion there.

THE ACTING CHAIRMAN: That is also on the west?

MR. BADCOCK: Yes. Then, in central Newfoundland -- in this lower Humber river between Deer Lake and Corner Brook there is quite a development. We have three points, the St. George district, the lower Humber and the upper Humber.

THE ACTING CHAIRMAN: We have heard of Codroy.

MR. BADCOCK: That is part of the St. George district. There are two areas there and that is one. Then we can move on to an area in Green Bay on the west side. On the eastern side we have a section here, we have a large section where at the moment they are developing warehouse facilities which can handle 50,000 sacks of produce at a time.

THE ACTING CHAIRMAN: What about your



livestock population, is it increasing?

MR. BADCOCK: Yes, it is increasing, not so much in cattle as in sheep and poultry. These have both expanded, especially poultry, over the last ten years, I suppose through the benefit of maritime freight rates on western grains. That is one reason these people have come to know the techniques of poultry husbandry and as a matter of fact poultry husbandry today is one place in which scientists have done a tremendous job in producing a good bird and good feed.

THE ACTING CHAIRMAN: Is western feed grain essential to you?

MR. BADCOCK: Yes, we have the benefit of the subsidy on western feed grains.

THE ACTING CHAIRMAN: And if you did not have it what would you do?

MR. BADCOCK: If we did not have it and Prince Edward Island and Nova Scotia had it we could not produce eggs in competition.

THE ACTING CHAIRMAN: If it did not exist at all?

MR. BADCOCK: If it did not exist at all it would not exist in the maritime provinces and I think our poultry raising is as efficient as in the maritimes and I would say we could produce eggs, but not unless all factors were equalized, and I think that is the greatest one.



THE ACTING CHAIRMAN: Has your expansion in agriculture been due in any regard to western feed grain coming in?

MR. BADCOCK: The poultry industry has, yes, but not vegetable farming -- it has not affected that.

THE ACTING CHAIRMAN: What about livestock?

MR. BADCOCK: Well, one place it could affect is the dairy industry and that has not advanced very much since 1949. There is a dairy industry in the St. John's area and a small one in the Grand Falls area and a small one ---

THE ACTING CHAIRMAN: A dairy market in each case?

MR. BADCOCK: Yes, that is right; right near the markets.

THE ACTING CHAIRMAN: We are continually hearing of new subsidies; this is a new subsidy you speak of for P.E.I., is it?

MR. BADCOCK: Well, it is new, I should think, since 1949, but I cannot state just how long it has been available to the P.E.I. farmers. We learned of it officially last year.

THE ACTING CHAIRMAN: Is the service still in force?

MR. BADCOCK: Yes, it is still in force. I contacted the Deputy Minister of Agriculture of Prince Edward Island only a month and a half ago when I was preparing this brief and found out that while



there is no boat to west Newfoundland there is a boat moving and the rates are 82 and 84 as quoted.

THE ACTING CHAIRMAN: Now, are your vegetables a bit later than Prince Edward Island?

MR. BADCOCK: Very little later. As a matter of fact, the bulk of -- let me put it this way: the beginning of the movement of Prince Edward Island potatoes to Newfoundland may be ten days earlier than ours, or a week earlier, but our main crop comes off about the same time as theirs.

THE ACTING CHAIRMAN: But does it affect the price on the island?

MR. BADCOCK: Oh, yes, of course it does affect the price.

COMMISSIONER ANSCOMB: Would you tell me, because I do not know anything about it, what is this agricultural disease that you talk about? Are you going to eradicate it or is it going on in perpetuity, because it evidently prohibits you exporting within the nation.

MR. BADCOCK: I can only tell you, sir, that the federal Department of Agriculture has a very extensive research programme on here, probably the best organized and the most scientific in the whole of North America at this time. It is a big problem. Let me just tell you that the United States fifteen years ago had an outbreak, a small outbreak, in Philadelphia, and they spent \$92 million to clean it up.



This took them nearly fifteen years, and they only finished last year to clear up the canker. While it is seed borne, it also affects the soil, so it is one of those terrible diseases that is so well rooted it is almost impossible to get at it. Of course, we got it from the Old Country and it has been there for many long years.

COMMISSIONER ANSCOMB: You don't suppose you got it from Philadelphia?

MR. BADCOCK: No, we did not. They were just not smart enough to watch their potatoes from Europe.

COMMISSIONER BALCH: That is one thing you could get from the mainland.

MR. BADCOCK: That is right.

COMMISSIONER GOBEIL: These subsidies for the steamship are just from Prince Edward Island to Newfoundland?

MR. BADCOCK: That is all we know of at the moment.

COMMISSIONER GOBEIL: And it does make a difference of 20 cents?

MR. BADCOCK: It does make a difference of 20 cents.

COMMISSIONER GOBEIL: Do you know why they gave that subsidy?

MR. BADCOCK: No, I do not know why. I can only suggest that Prince Edward Island must regard



Newfoundland as their exclusive market, their market by right. We are so close to them and we are a deficiency province in a lot of products and they are near to us and feel they have a right to this market.

COMMISSIONER GOBEIL: Well, if the subsidy was 20 cents less you are still the same here, on the same level?

MR. BADCOCK: Well, I cannot tell you why there is a subsidy. I can only state that it is there.

COMMISSIONER MANN: What goes back on the Fergus when she goes back to Prince Edward Island? Does she take on cement from Corner Brook?

MR. BADCOCK: Quite possibly.

COMMISSIONER MANN: Anything else?

MR. BADCOCK: I do not know. I am not familiar with the trading operations of the boat.

COMMISSIONER MANN: We might have a look into that. Now, how do potatoes move inside Newfoundland? Is there any kind of trucking at all from the Codroy valley up to Corner Brook?

MR. BADCOCK: Oh, yes.

COMMISSIONER MANN: Is there any trucking in the potato producing areas in the Avalon peninsula?

MR. BADCOCK: Yes, quite so.

COMMISSIONER MANN: There is no trucking, for obvious reasons, from the Codroy Valley to the Avalon peninsula?



MR. BADCOCK: None whatsoever.

COMMISSIONER MANN: On the mainland the usual method of shipping potatoes is in carload lots of 36,000 pounds; I think the average loading is 34,300 pounds per car. That appears to be the general practice throughout the Maritimes mainland. You are concerned in your brief about any quantity rates favouring the P.E.I. farmer on the Fergus. Would your farmers really need any quantity rate or could they efficiently market their products with a proper marketing set-up in similar lots?

MR. BADCOCK: It would be desirable to have a rate which permits them to ship in less than carload lots. They are engaged in the production of produce like a cabbage, which is a very important crop here. We are selling some of the best cabbage in North America. Our farmers have the technique of growing cabbage and it is of excellent quality, nothing can compete with it. When you are marketing cabbage you do not want to send a carload all at one time. We want to move a small lot at a time. That is quite understandable.

There is one particular case where we would like the right to ship in l.c.l. lots.

COMMISSIONER MANN: But coming back to the potatoes, that is not so necessary?

MR. BADCOCK: No, not quite, but yet desirable. There are large numbers of people throughout the



province who have had an association with one or more farmers in a specific area and who will be getting winter produce. They have to store their produce for six, seven or eight months, and they often get ten or a dozen bags of potatoes, two or three of cabbage and carrots and beets, and so on, from these farmers over the long years.

Now, the rates of movement by l.c.l. have so prohibited these people that they can no longer trade. An example of that was quoted to me when I was working with them. Some householder for a number of years had been getting his winter vegetables from a farmer at something like \$2.50 for transportation on the flat rate prior to union, but afterwards had to pay \$7 or \$8. He was pretty well shocked over the situation. He would have to pay \$1.24 or \$1.33 for what he had been used to get for 25 cents a sack.



COMMISSIONER MANN: That would be a hundred-weight in St. John's?

MR. BADCOCK: That was a hundredweight in Badger, in this particular instance.

COMMISSIONER MANN: But the town of Badger could undoubtedly take a whole carload?

MR. BADCOCK: It might -- no, the town of Badger couldn't consume a carload or several carloads of the type of vegetables -- it couldn't consume a carload of potatoes plus a carload of cabbage plus a carload of turnips.

COMMISSIONER MANN: Now, Mr. Badcock, are there any potatoes come from the mainland by ship out of Halifax, say?

MR. BADCOCK: I don't know of any; not too many, I would say. I shouldn't say there aren't any. I should think there aren't too many. Nova Scotia is not a large supplier of potatoes to Newfoundland.

COMMISSIONER MANN: Perhaps we might find out from Mr. Hutchison whether he has the quantity rates on potatoes out of Halifax?

MR. HUTCHISON: I would like to refer to the tariff.

COMMISSIONER MANN: The Commission might find that information helpful.

One more question, Mr. Badcock. You want a rate of 62 cents per one hundred pounds. My calculations show that on a 30,000 car the railway's revenue



from Doyles to St. John's would be \$186 per car.

I suppose your rates are Class 30 rates on that?

MR. BADCOCK: They are commodity rates.

COMMISSIONER MANN: They are commodity rates?

MR. BADCOCK: Yes -- I beg your pardon; they are class rates. The class rate is one cent cheaper. It is a class rate.

COMMISSIONER MANN: Now, if that is the case, then, Canadian National Railways does not get any revenue at all on potatoes moving from Doyles to St. John's because all the potatoes are shipped by vessel from Prince Edward Island to St. John's. Have you ever approached Canadian National and pointed out that there is revenue to be had between Doyles and St. John's?

MR. BADCOCK: No.

COMMISSIONER MANN: Thank you very much.

THE ACTING CHAIRMAN: Mr. Platt?

MR. PLATT: I have no questions.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: Do you know, Mr. Badcock, whether or not the Gulf & Northern Shipping Company is owned by private interests?

MR. BADCOCK: No, I have not inquired into the ownership of the company.

MR. COOPER: That is the company which operates the ferry?

MR. BADCOCK: Yes.



MR. COOPER: Have you any figures as to the total potato production in Newfoundland?

MR. BADCOCK: Yes, an estimate; it is an estimate. We are producing 25 to 30 per cent of our requirements, which would be around 500,000 bushels. We are consuming something between a million and a half and two million bushels and we are producing around about five hundred thousand bushels.

In turnips we are producing 80 per cent to 90 per cent of our turnips, and about 400,000 bushels to 500,000 bushels is estimated to be our consumption. In cabbages we are producing 75 per cent to 80 per cent, and we are eating, perhaps, about 15 million or 16 million pounds. We eat a lot of them and our farmers produce a lot.

MR. COOPER: Have you any figures as to the quantities of potatoes and turnips coming in from Prince Edward Island by means of this subsidized service?

MR. BADCOCK: No figures over any period. I just have one figure here. In 1958, in the period between August and the end of the year there were 31,388 bags of potatoes into St. John's by the Fergus and about an equal amount into St. John's by CNR during the same period.

MR. COOPER: By CNR from where?

MR. BADCOCK: From Prince Edward Island.

MR. COOPER: What other products, if any,



does the Fergus bring in from Prince Edward Island -- that is, in addition to those you have mentioned?

MR. BADCOCK: There is a long list of 39 items, including a wide range of farm products -- butter, eggs, livestock, hay; and then hardware. I could give you the whole list, but there are 39 items and it includes almost everything except milk.

MR. COOPER: Do you know whether all these other items -- that is, in addition to the potatoes and vegetables -- obtain the benefit of the subsidy?

MR. BADCOCK: We have not investigated it beyond agriculture; but in all the agricultural products there is the subsidy.

MR. COOPER: But you haven't looked into the matter of products other than agricultural products?

MR. BADCOCK: No.

MR. COOPER: You mentioned the possibility -- or Mr. Mann raised it in a question -- of trucking by road. Have you any figures -- or, perhaps, Mr. Johnson might have them -- of the mileage of paved roads in Newfoundland? I think the Commission would be interested in that information. I suggest that it come from Mr. Johnson, or someone other than yourself.

Perhaps we can let that go for the moment and obtain the information later.



to St. John's would require refrigerator cars?

MR. BADCOCK: During the wintertime, yes.

MR. COOPER: That would be when the major portion of the crop is moving?

MR. BADCOCK: No, the major portion on the present reduction rates would move between the period of September 1st and December 31st.

MR. COOPER: That is all, thank you.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: I have no further questions.

THE ACTING CHAIRMAN: Mr. Dickey?

MR. DICKEY: I have one or two questions, Mr. Chairman.

As I understand it the trucking of agricultural products in Newfoundland is pretty much a local operation. Is that correct?

MR. BADCOCK: Yes.

MR. DICKEY: For instance, the supply of potatoes or cabbages from the valley to Corner Brook and other consuming centres?

MR. BADCOCK: Yes. There is no trans-island trucking of vegetable products.

MR. DICKEY: What would be your opinion with respect to the possibility of wider trucking shipments following the improvement of the road system in the island?

MR. BADCOCK: You mean trucking from Prince Edward Island right through . . . ?



MR. DICKEY: No; within the island?

MR. BADCOCK: I think it will be advantageous to more large shipments by rail.

MR. DICKEY: You have no experience in trucking?

MR. BADCOCK: Yes, we do. In this particular area here -- the Bonavista area which I mentioned earlier -- they were bringing along something like 55,000 sacks of potatoes. They are bringing that on the railway; although they have road assistance at St. John's and Grand Falls for the purpose of shipping by rail; and, as a matter of fact, if they are servicing the St. John's market they will ship by rail.

MR. DICKEY: What are the weight restrictions on the highways here?

MR. BADCOCK: Well, I am unable to give you an answer to that question.

MR. DICKEY: But your experience is related to the present road system on the island; is that correct?

MR. BADCOCK: No; I don't think there has been any question of the farmer being prevented from taking large enough loads to make it pay. It is a question of probably rough roads and, at the moment, the poor transportation services; but if a farmer can sell by carload and if he has facilities for loading he still wants to lift the crop so that it can go around; and there are not enough trucking



services available to carry the load if he wants it at the moment. He is prepared to move in carload lots by rail rather than move carload lots by truck.

MR. DICKEY: But I understood you to say, in answer to Mr. Mann, that it was of great importance to be able to ship by less than carload?

MR. BADCOCK: Yes, ship by rail.

MR. DICKEY: But you haven't any experience with respect to long-distance trucking of agricultural products except on the present road system?

MR. BADCOCK: Yes.

MR. DICKEY: And have you any knowledge of the movement of these products by highway trucks throughout other maritime provinces?

MR. BADCOCK: No.

MR. DICKEY: You have not?

MR. BADCOCK: No.

MR. DICKEY: Thank you.

COMMISSIONER ANSCOMB: My colleague Mr. Gobeil asked you what the subsidy was in taking potatoes into Newfoundland and, at that point, I understood your answer. Subsequent to that you say that only 25 per cent of your requirements are produced in Newfoundland, and I was assuming that the other 75 per cent is coming from Prince Edward Island, or somewhere. Is there any reason in a subsidy being given to anybody when there is a market for 75 per cent of the requirements? Will you



explain that to me?

MR. BADCOCK: Well, let me state this, in answer, that while I said it was 25 per cent potatoes; I said it was 80 to 90 per cent turnips -- and I said 75 per cent cabbages. But in answer, the 25 per cent is important. It represents 500,000 bushels.

Furthermore, I did drop in here yesterday afternoon -- no, I beg your pardon, it was on TV last night -- but the subsidy does have the effect of keeping the price down and so the farmers have . . .

THE ACTING CHAIRMAN: The price to the consumer?

MR. BADCOCK: Yes; but the price is down to our own producer; and this subsidy is of importance to the Prince Edward Island farmer; it is a protection against the disadvantages of the geography.

Isn't it a fact that Ontario has some advantage in industry because of location? We feel sure that we should have some . . .

COMMISSIONER ANSCOMB: Am I correct or not that, if there was no subsidy, Prince Edward Island would supply you with your 75 per cent potato requirement?

MR. BADCOCK: Yes.

COMMISSIONER ANSCOMB: It is true the price might go up . . .

MR. BADCOCK: Yes; but while Prince Edward Island is subsidized and while the subsidy has the



effect of keeping the price down to producers, the incentive to produce more potatoes is being taken away.

If trade and practice is to rest on fair competition, if that were removed, our farmers would at least have an advantage and we might be able to increase that -- get a ratio and bring the amount of our potatoes nearer to where our turnips are.

COMMISSIONER ANSCOMB: But if you didn't have them coming in and if you had sufficient land to produce them you would produce all of your own potatoes and, with mass production, the price would come down anyway?

MR. BADCOCK: The price might very well come down, but, of course, there are thousands of factors there in connection with a drop in price.

COMMISSIONER ANSCOMB: I understand that.

Thank you.

MR. ADAMS: Mr. Badcock, is there going to be an increase in the production of potatoes, or have we reached saturation point in production?

MR. BADCOCK: No, we haven't reached saturation point in any of our vegetable crops, actually, because we have a fairly aggressive policy -- government policy -- for the promotion of agriculture. Every year thousands more acres of new land are being brought into the picture and there are new farmers coming up almost every year.

Farm mechanization is rapidly expanding, and



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there is a tendency towards greater production yield,
particularly in specialized crops.



Our farmers are keeping an eye on all the factors involved, and of all the crops, all the vegetable crops grown, the potatoes are probably the least productive, give less returns per acre of land so that they have to watch it very carefully and keenly, and the matter of 20 cents a sack in Chipman is a factor and they feel if this subsidy is to continue, that the opportunities for expansion of potatoes grows less and less.

It is only now that it is felt, because we do have a superior quality in potatoes and, as a matter of fact, in all vegetables, but particularly in potatoes, and because also that we have a variety of potatoes not grown on the mainland and brought in here, namely, blue potatoes, that we are still able to carry because the crop is so small, and 20 cents means something.

THE ACTING CHAIRMAN: Is there a trend to larger farms?

MR. BADCOCK: Yes, very definitely, and a trend to fairly heavy farm equipment. In 1949 I would say that there was not much more than 50 farm tractors in Newfoundland, and I would say today there are over 500.

THE ACTING CHAIRMAN: Thank you, Mr. Badcock.

MR. LEWIS: Mr. Chairman, I wish to advise the Commission that Mr. Cooke, the regional manager of the C.N.R. navigation is now ready for the purpose of giving the Commission a run down on the railway and coastal operations.

THE ACTING CHAIRMAN: Well, we are very



obliged to Mr. Cooke for helping us. We have a map here, and if Mr. Cooke would come up to the map and go ahead and tell us all his troubles.

MR. COOKE: First of all, Mr. Chairman, I would like to know just exactly what you would like me to give you. I am not just sure what you would like.

THE ACTING CHAIRMAN: I think we are interested in the coastal services that you know about yourself.

MR. COOKE: You are not interested in the rail operations?

THE ACTING CHAIRMAN: And across the gulf.

MR. COOKE: And across the gulf.

MR. LEWIS: A description of the mechanics on the operating capacity and also the operation of the coastal services generally, Mr. Cooke.

MR. COOKE: Well, first of all dealing with the gulf service, we have as you know the William Carson; I don't know whether you have seen it or not, but this vessel is designed for a roll-on and roll-off operation. We have containers there that are roughly 7 feet square and 7 or 8 feet high; they have double doors on them and the commodities are put in these containers. They have two walls on one end and the other end is so designed that a fork-lift truck can lift it and a semi-trailer arrangement is used with the vessel to stay until it crosses the gulf, and it also removes the container from the vessel when it gets to destination, whether it is North Sydney or Port au Basque. These



containers are stored on what we call the cargo deck. Now, one carries passenger and trucks, and the other cargo.

Now, in addition to approximately 130 of these containers, we have space for pallets; they are piled up about three high and the clearance on the cargo deck is roughly about 7 feet, and that is where the pallets are stored.

Between the doorways, the side doors used for loading and unloading, there is greater head room there and freight can be piled higher in that location.

The freight is carried on to the deck from the ship by means of an elevator. This elevator compensates for the difference between the level of the water and the floor on the top of the deck and the car, so that regardless of how high a tide we are able to roll on with fork-lift trucks and containers or pallets as the case may be, or in some cases with trailers on, through the use of these elevators and these elevators roughly are about 32 feet long.

THE ACTING CHAIRMAN: It would be an expensive process taking on the bulk.

MR. COOKE: It is done in this manner; cars are shunted into the shed, and the very first loaded truck - containers or pallets, as the case may be - in the case of refrigerator cargo it is loaded in the trailers and towed to the refrigerator space. At the other end, at Port aux Basques, it is the reverse of



this case. The pallets are taken off directly from the car and unloaded into another car. With conventional vessels - and we have those operating also in the gulf service - they are loaded in the regular manner through the hatch.

Now, the traffic across the gulf varies with the season and we take steps to charter different vessels or get additional of our own vessels into the gulf to take care of the volume of traffic operating at any particular time of the year.

THE ACTING CHAIRMAN: What about return cargo?

MR. COOKE: Well, that is routed to Port au Basque by rail and it is handled in a similar manner; usually, though the volume is much less and secondly, all vessels returning to North Sydney do so with more or less very minimum tonnage. Is that sufficient for the gulf service? Are there any other questions?

COMMISSIONER MANN: Mr. Cooke, just so that we will get the record clarified, and I know you want to correct this, you described the Carson operation as a roll-on and roll-off operation; the usual definition is the movement of trailers with wheels attached on to the deck, and I understood you to say that is not the case, that is really an elevator operation?

MR. COOKE: That is right, except at certain periods of tide level, then the elevator is not used to raise and lower; it just runs right on the vessel.



COMMISSIONER MANN: What I mean is if the roll-on roll-off term that is usually used in connection with highway trailers that are rolled on to the deck and rolled off the deck --

MR. COOKE: Yes, this is a different operation from that.

COMMISSIONER MANN: You mentioned that you have truck space on the Carson; how many trucks and of what size can you accommodate and what is the limitation?

MR. COOKE: It is limited by the space which we have. I would say it would be about 70 feet square. Now, the last time I was across, which was about two weeks ago, we had six of these huge trucks on that deck. They weigh about 20 tons apiece.

COMMISSIONER MANN: The usual length today of a highway trailer, plus cab, would be around 40 feet; how many of these can you accommodate?

MR. COOKE: We don't accommodate anything over 32 feet.

COMMISSIONER MANN: Including the cab?

MR. COOKE: Including the tractor and cab or, in the case of a passenger automobile and house trailer, it is the same thing, the overall length of 32 feet.

Now, we can carry this type of vehicles, but they have to be loaded on the afterdeck, at the cargo decks and it is lifted on the crane, but there is a limit to how many it can handle.



COMMISSIONER MANN: You mentioned refrigeration space, Mr. Cooke; what, roughly, is the refrigerator space on the Carson?

MR. COOKE: We could handle about four car-loads of frozen goods, and possibly six or eight of chilled.

COMMISSIONER MANN: And is the process -- correct me if I am wrong - a refrigerator car which is under ice and arrives in North Sydney, it is then - the contents are then removed and moved into the refrigeration chamber, and then at Port aux Basques it is removed from the Carson into a Newfoundland refrigerator, and this car has to be re-iced?

MR. COOKE: That is right.

COMMISSIONER MANN: So that there is an extra charge, of course, for re-icing it at Port aux Basques?

MR. COOKE: I am not sure now whether we have another charge there or not; I am not sure that we do that.

COMMISSIONER MANN: Just one more question; on the whole, the service as far as the public is concerned on the crossing, has worked out extremely well, has it not?

MR. COOKE: We think it has.

COMMISSIONER MANN: You have not too many complaints?

MR. COOKE: No, we have had very few complaints on the Carson operation, and we have had many



complimentary remarks on the operation because it is a very efficient operation, relatively speaking, compared with the conventional type vessels. It has this big advantage, that regardless of the weather, the vessel can be worked and the commodities are protected. Otherwise, the hold is open and if the weather is too bad they have to suspend operations until the weather improves.

COMMISSIONER MANN: Are the terminals at North Sydney under your jurisdiction?

MR. COOKE: Yes.

COMMISSIONER MANN: I may say, Mr. Chairman, that I believe that Mr. Cooke has done an extremely wonderful job on the operation of the trucks. Thank you very much.

MR. COOPER: Mr. Cooke, I notice on exhibit 39, which is the Canadian Railways Tariff Board CR 200, prohibited articles, and the first item is all articles in bulk. Now, you have spoken of breakage of bulk. When you speak of breakage of bulk, of course, you are not speaking of those prohibited?

MR. COOKE: No, bulk commodities, bulk car-loads; it is a misnomer. It shouldn't be breakage of bulk, it is breaking down of the contents of a car and putting it on the vessel, and so on.

MR. COOPER: So when on page 14, for example, of the submission of the Government, which is exhibit 38, the phrase "breakage of bulk" is used, and that phrase is only used to indicate the splitting up of a



carload of freight, is that right?

MR. COOKE: I imagine that is what it is.

MR. COOPER: Well, I suggest it must mean that.

MR. COOKE: It is a common term which we use here when we open up a car, and some particular cars have more in them than what we can get in the modern car, but regardless of that in order to put it on the boat we have to take it out piecemeal and put it on the boat.

MR. COOPER: In addition to the Carson, you have other boats operating from North Sydney to Port au Basque and return?

MR. COOKE: Yes.

MR. COOPER: I believe the Cabot Strait is one?

MR. COOKE: That is right.

MR. COOPER: And what does the Cabot Strait take?

MR. COOKE: Well, the Cabot Strait will take anything that is left over from the Carson; it could take package freight on occasion where we have put L.C.L. on the Cabot Strait, but not to the same extent. Generally, they are carload lots and whatever is there.

MR. COOPER: And does it operate on a regular schedule?

MR. COOKE: It is operating on a two-day turn



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around now, as prepared to one day turn around for the
Carson.



MR. COOPER: Do you take motor vehicles on the Cabot Strait?

MR. COOKE: On occasions we have done that.

MR. COOPER: So it is an overflow vessel, perhaps we can describe it that way?

MR. COOKE: That is right.

MR. COOPER: Is there any other vessel that moved across from North Sydney to Port aux Basques?

MR. COOKE: Yes, we have three or four other vessels operating there. Some of them operate from North Sydney to Argentia or to the coast.

MR. COOPER: Are these vessels owned by the C.N.R. or by the government?

MR. COOKE: No, we have one owned by us now and in the wintertime we have more than that.

MR. COOPER: What is the vessel owned by the C.N.R.?

MR. COOKE: The Random.

MR. COOPER: Does it operate on a regular schedule?

MR. COOKE: I would not call it a regular schedule because in the last two trips it went to the north coast with hay so we work it in for the best advantage, for the most expeditious movement of the freight.

MR. COOPER: The other vessels you speak of are chartered?

MR. COOKE: Yes.

MR. COOPER: Are they on charter for trips



or time charter or what?

MR. COOKE: Well, both, depending on what kind of a charter we can get or depending on the volume of freight, how long they anticipate it would last.

MR. COOPER: So all these vessels except the Carson are in effect overflow vessels for movement of the same types of freight as are moved in the Carson?

MR. COOKE: That is right.

MR. COOPER: And none of that, of course, includes articles in bulk?

MR. COOKE: Well, if you are talking about loose sand - -?

MR. COOPER: That is what I am talking about.

MR. COOKE: Yes, that is right.

MR. COOPER: Mr. Chairman, there is the matter of coastal service.

THE ACTING CHAIRMAN: We will come to that. Which vessels carry carload and which L.C.L.?

MR. COOKE: Well, all vessels carry both depending on the time when I would say the L.C.L. would generally go across the gulf because it may be stopping off at points along the run. For that reason the L.C.L. would generally go across the gulf.

THE ACTING CHAIRMAN: On what vessel?

MR. COOKE: On the Carson or the Cabot Strait or one of the chartered vessels.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: I have no questions.



MR. DICKEY: No questions, thank you.

THE ACTING CHAIRMAN: Well now, about the coastal service --

MR. HUNT: May I ask a few questions?

THE ACTING CHAIRMAN: Yes, of course.

MR. HUNT: When did the Carson go on the route?

MR. COOKE: On the passenger service?

MR. HUNT: No, I am sorry, originally.

MR. COOKE: In Port aux Basques?

MR. HUNT: Yes.

MR. COOKE: August 25, I believe, 1958.

MR. HUNT: And for passenger service?

MR. COOKE: October 5, 1958.

MR. HUNT: And for carloads?

MR. COOKE: Well, October 5th, she took cars that day.

MR. HUNT: Now, what is the turnover? How many trips does it do a day?

MR. COOKE: It turns around every 24 hours roughly, that is six hours steaming and six hours in port.

MR. HUNT: What is the lay-off each year? Have you any scheduled lay-offs?

MR. COOKE: This last year was roughly 30 days, but we had a big job on the Carson this year, we had a hydraulic system put on the bow. Normally, I would say around two weeks.



MR. HUNT: I understand from the Government brief that the tonnage from Port aux Basques will reach 300,000 this year.

MR. COOKE: Those are figures that are in the provincial brief, I believe - I imagine they are fairly close.

MR. HUNT: Yes, I am not challenging their accuracy, that is I presume a maximum capacity of the Carson plus the vessels to take the overload.

MR. COOKE: Well, I would not be prepared to say it was the maximum because each year we seem to be handling more freight than the previous year. There is no reason to believe we could not handle more than the 300,000 from these ports.

MR. HUNT: But you do have additional vessels to take the overload?

MR. COOKE: That is taken into consideration.

MR. HUNT: To take additional traffic you will need additional boats?

MR. COOKE: Yes.

MR. HUNT: In the brief filed in Montreal by Carson, I do not know if you are familiar with the figures?

MR. COOKE: No, I am not.

MR. HUNT: It says a subsidy of \$6 million was paid in 1958. Do you know of that?

MR. COOKE: Well, I would not be sure of those figures. Does that subsidy cover --



MR. HUNT: It covers payment for unloading at North Sydney, putting it into the Carson or other vessels and putting it on freight cars at Port aux Basques.

MR. COOKE: Are you sure - -

MR. HUNT: No, I am asking you.

MR. COOKE: If you are talking about subsidies, it is a very involved subject and it covers gulf operation. There is also a subsidy for the coastal operation that might be of the same figure, it would cover the operation of our services around the coast and in relation to the services between North Sydney and Port aux Basques, we have another service between North Sydney and what we call Island Ports. Now, that is also covered in the subsidy, so I am not just sure of what that figure would refer to.

MR. HUNT: You cannot give us now details of any subsidies paid from North Sydney and Port aux Basques?

MR. COOKE: No.

MR. HUNT: Or any subsidies paid by the federal government.

MR. COOKE: Not on the breakdown of the gulf operation exclusively.

MR. HUNT: Now, up till the Carson went on the freight and you say it was the policy of the C.N.R. to have it good for eastern goods for eastern Newfoundland routed from Halifax and St. John's?

MR. COOKE: We moved more through Halifax at that time than we do now and the reason being was,



or one of the reasons I should say that the facilities in North Sydney were designed primarily for the Carson operation and we were operating at this time conventional vessels.

MR. HUNT: There was not a certain demarkation point on the railway that was - west of that point was sort of through Port aux Basques and the east through St. John's?

MR. COOKE: Roughly the policy we adopted could be put this way, depending on the volume of freight flowing to Newfoundland; it would be divided say at Moncton or Truro and if it was felt that the facilities at North Sydney were taxed, part of that freight would be diverted through Halifax to relieve the situation.

Then, the freight going through Halifax would be for St. John's west to Bishops Falls.

MR. HUNT: How many vessels have you chartered on the runs between Sydney and Port aux Basques?

MR. COOKE: At the moment?

MR. HUNT: Yes.

MR. COOKE: It varies, but at the moment it is four.

MR. HUNT: And is it true to say these vessels are now taking goods that would have been routed through Halifax and St. John's before?

MR. COOKE: Well, it could be.

MR. HUNT: It could be?

MR. COOKE: Yes.



THE ACTING CHAIRMAN: Mr. Mann has been doing some arithmetic: your capacity is 630 and if you worked 351 days in the year taking 14 days for lay-offs, you could handle in the crossing 221,000 tons of freight.

MR. COOKE: That is based on how much per trip?

THE ACTING CHAIRMAN: 630. Now, will you tell us about the coastal service.

MR. COOKE: First of all, we have two services out of St. John's, one to Lewisport and that calls at 40 ports and it is roughly a weekly service in each direction.. We also have a service out of St. John's for Corner Brook which goes all around the island and that calls at 51 different ports.

THE ACTING CHAIRMAN: How many vessels?

MR. COOKE: How many vessels in the coastal service - 11.

THE ACTING CHAIRMAN: And what do their capacities average?

MR. COOKE: The capacity - well, it varies from 15,500 to 42,000 cubic capacity and in between that range there are other cubic foot capacities. For instance, the vessel that operates between St. John and Lewisport, that has 27,000 cubic capacity for handling freight. In addition to that it will handle approximately 100 passengers.

THE ACTING CHAIRMAN: As well as St. John's, what other coastal services do you have?



MR. COOKE: We also have this one out of Lewisport the Green Bay service of the St. John's Labrador service that goes as far as Goose Bay. We have two vessels operating on the gulf coast between Argentia and Port aux Basques. We have two operating in Placentia Bay proper, one on the bay run and the other on the west run and also a vessel in the summertime that operates between Goose Bay and - -

THE CHAIRMAN: Now, do they operate at a profit?

MR. COOKE: No.

THE ACTING CHAIRMAN: It is probably a touchy question but what would be the deficit of the coastal service?

MR. COOKE: It would be very high, roughly I would say around \$300,000.00 a month, in that vicinity.

THE ACTING CHAIRMAN: And what is the subsidy?

MR. COOKE: Well, the subsidy is the difference between the revenues and the operating costs.

THE ACTING CHAIRMAN: That is how you take up the slack?

MR. COOKE: That is right.

THE ACTING CHAIRMAN: Now, does that cover the coastal service?

MR. COOKE: Yes, the coastal service is subsidized by the Maritime Commission, the gulf service is subsidized by the Department of Transport.



THE ACTING CHAIRMAN: On rail operations alone can you tell me what the deficit is on the railway?

MR. COOKE: Well, it varies considerably from year to year. The deficit last year was very low. I have not the figures here, I wish I had had the time to prepare figures for you, but, relatively speaking - 6

THE ACTING CHAIRMAN: Perhaps it would be better if you let us have the figures.

MR. COOKE: I can do that because I do not have the figures with me now.

THE ACTING CHAIRMAN: Now, what branch lines are there up the mainland.

MR. COOKE: On the railway?

THE ACTING CHAIRMAN: Yes.

MR. COOKE: We have the Carbonear branch line to Brigus junction, approximately 38 miles. We have the Argentia branch from Placentia junction which is 21 miles. We have the Bonavista branch from Clarenville approximately 88 miles and the Lewisport branch from Notre Dame junction 9.4 miles.

THE ACTING CHAIRMAN: Well, when you give us the figures on the mainland would you also give us the figures on the branch lines?

MR. COOKE: We probably would not have the branch lines broken down separately.

THE ACTING CHAIRMAN: Well, give us whatever figures you have.



MR. COOKE: We will get whatever we can.

COMMISSIONER BALCH: Approximately how many months of the year is the coastal service in operation?

MR. COOKE: It is year-round; the Placentia Bay service the year-round, the northern service on this side of Newfoundland closes as soon as navigation becomes too bad to operate and that is usually any time after the end of December. Sometimes it may run into the middle of January or a little later, but as soon as the ice comes down we suspend operations on the north coast?

COMMISSIONER BALCH: The usual places they do call at have to stock up?

MR. COOKE: They do that every year. In addition to the regular coastal service we also supplement that service with other vessels handling freight on occasion when they need assistance. For instance, this year we moved five million feet of lumber through to St. John's through Lewisport and by rail to St. John's but that was a movement in addition to the regular scheduled coastal service. Now additional vessels are put in as required.



THE ACTING CHAIRMAN: Is that a new industry?

MR. COOKE: It is new, yes.

THE ACTING CHAIRMAN: It is completely new?

MR. COOKE: I believe they are going to have a larger movement next year; there are all indications.

COMMISSIONER BALCH: I think you move every kind of freight up the coastal area?

MR. COOKE: Yes. What makes the operation very expensive is that we may have to do 12 hours' steaming to deliver a 50 cent package. It is a service. It is impossible to operate that on a profitable basis. Some of these communities are very small.

THE ACTING CHAIRMAN: There are people there?

MR. COOKE: Yes, definitely.

COMMISSIONER ANSCOME: And fishing?

MR. COOKE: And fishing and everything. Perhaps Mr. Lewis could....

MR. LEWIS: Logging and mining.

MR. COOKE: Yes, logging and mining.

COMMISSIONER MANN: The service pattern on this coastal service is essentially the one you made in the days of the Newfoundland Railway?

MR. COOKE: That is correct.



COMMISSIONER MANN: And who owns the ships engaged in the coastal services?

MR. COOKE: The Canadian National Railways.

COMMISSIONER MANN: Do you own them, or are they entrusted to you?

MR. COOKE: They are entrusted to us.

COMMISSIONER MANN: They are really under the ownership of the Department of Transport?

MR. COOKE: That is right.

COMMISSIONER MANN: Now, since Confederation have you been able to cut out any of the outports that used to be ports of call?

MR. COOKE: Yes, we have been able to cut out some of them, but, at the same time, we have added ports we didn't have before. We are continually being pressed to take on additional ports. What we do in some instances is that where the port does not have a wharf the vessel has to stand off and freight is taken ashore by small boats. On some of these boats we come just as far up as the port of call and if there is trade offering we will call and pick it up.

COMMISSIONER MANN: The ones you have been able to eliminate, Mr. Cooke - what was the reason for the elimination? Was it the construction of highways to those ports?

MR. COOKE: In some instances it was a case of a highway and the traffic by boat had dropped off; in other instances it was the community had



disappeared; the people had moved elsewhere.

COMMISSIONER MANN: As to the frequency of your services, do you service these ports on a fortnightly, or a weekly or a monthly basis?

MR. COOKE: Roughly, weekly; many ports have two boats calling at them. They don't all call at the same ports, but there are a number of ports which are duplicated probably 50 per cent. The same thing applies in this area here (indicating). We have many ports of call here.

MR. COOPER: When you used the expression "the same thing applies here" a moment ago I wonder if, for the sake of the record, you could indicate the area you described?

MR. COOKE: This area (indicating) - we have a service here from Lewisporte through Green Bay up as far as Baie Vert; and they call at roughly about 34 ports of call.

MR. COOPER: I have here a map of Canadian National Railways rail and steamship routes in Newfoundland. Does that show the branch lines of the railway of which you have been speaking, the mainline and the coastal steamship services?

MR. COOKE: Yes.

MR. COOPER: Does that show all the branch lines?

MR. COOKE: Yes, it shows all the branch



lines but not all the ports of call.

MR. COOPER: ... I would like this to go in, Mr. Chairman, as an Exhibit. It will show the branch lines and the coastal steamship route.

That will be Exhibit number 40.

---EXHIBIT NO. 40:

Map showing rail and steamship routes of Canadian National Railways in Newfoundland.

MR. COOPER: ... That is all, thank you.

COMMISSIONER BALCH: Are you the only service on this coastal route, or are there other services?

MR. COOKE: There are small boats operating; I don't know how many there are, but they are private operators.

THE ACTING CHAIRMAN: Are they steam or sail?

MR. COOKE: I think they are motor vessels, mostly.

THE ACTING CHAIRMAN: Schooners?

MR. COOKE: The majority of them would be schooners. If you are talking about common carriers, we are the only ones.

MR. COOPER: ... If I might ask another question, Mr. Cooke, you said that, on occasions, the coastal service was supplemented by extra service.



When you supplement your service by extra service, when cargo is offering and has to be moved, what vessels do you use? Do you charter boats for that purpose?

MR. COOKE: Well, we have sometimes, and sometimes our own. We have an additional one we can use - in fact, we have a couple of vessels we can use to take these special movements, to handle extra freight that is offering.

MR. COOPER: Do you, in fact, charter any vessels in addition to the two you own?

MR. COOKE: Yes.

COMMISSIONER BALCH: Another question has occurred to me. You mentioned about passengers on these services. Is that the only way that those people who live in the different places can get in or out?

MR. COOKE: In many instances; although some of the ports we call at now have road access.

COMMISSIONER BALCH: Thank you.

MR. BOYD: Supplementing Mr. Cooper's Exhibit, perhaps the Board might like to have this filed. It is a working time-table showing the services of the Canadian National in the Atlantic Region, Newfoundland.

THE ACTING CHAIRMAN: Yes.

MR. COOKE: We have a time-table, number 92, which is a summer time-table. It has some



information that the winter time-table doesn't have.

MR. COOPER: ... tables numbers 92 and 93, will be Exhibit 41.

THE ACTING CHAIRMAN: Thank you very much, Mr. Cook.

I think we will now take a recess.

---- A recess.

THE ACTING CHAIRMAN: All right, we will come to order, gentlemen.

Mr. Lewis, I think Mr. Cheeseman is next.

MR. LEWIS: Before Mr. Cheeseman goes on I would like to read into the record certain information requested by my learned friend, Mr. Cooper, regarding highway mileage, paved mileage and so on and so forth over the Island.

The position is that there are approximately 70 to 80 miles of Trans-Canada Highway paved or in the process of paving; there are 200 miles of paved road altogether within the Province; there are 3500 miles of gravel roads of all types; and the load limit over the bridges is 12 ton.

THE ACTING CHAIRMAN: And the Trans-Canada runs from where to where?

MR. LEWIS: The Trans-Canada runs from St. John's to Port-aux-Basques.

THE ACTING CHAIRMAN: It follows the



railway?

MR. LEWIS: Perhaps, Mr. Johnson, you would indicate on the map....

MR. JOHNSON: It parallels the railway between Badger and Deer Lake, and then the railway shoots across this way (indicating) and the Trans Canada takes a loop there; but otherwise it is parallel.

THE ACTING CHAIRMAN: Thank you, Mr. Johnson.

MR. LEWIS: Mr. Chairman, we propose to call the Honourable John Cheeseman who will speak in regard to Item 15 of our Recommendation, dealing with passenger services and southwest coast transportation.

Mr. Cheeseman, will you state your name?

MR. CHEESEMAN: John Cheeseman.

MR. LEWIS: And your position?

MR. CHEESEMAN: I am not here at this moment in my capacity as a Minister of the Crown.

MR. LEWIS: You are here as a citizen?

MR. CHEESEMAN: As a citizen - if you like, a self-appointed spokesman for a section of the south coast of Newfoundland.

I do happen to represent in the Parliament the Burgeo La Poile district, which is the section of the coast which I intend to speak about. The particular constituency I represent begins at Cape Ray



and continues down the coast to Hermitage Bay, to a well-named spot known as "Muddy Hole".

MR. LEWIS: Will you tell the Chairman and members of the Commission what conditions exist on the southwest coast with relation to coastal services?

MR. CHEESEMAN: Yes. Mr. Chairman, I suggest that travel conditions on the southwest coast, particularly this area which I purpose dealing with, that is, the north side of Fortune Bay along the coast to Hermitage Bay and along the coast to Port-aux-Basque.

Now, for the benefit of any of you who are not aware of conditions along the coast I would point out that the only highway - in fact, the only road - that we have anywhere in this area along this coastline of something like 300 miles of the North Atlantic - and, believe me, there are times when it is very long, and the service, in my opinion, that is presently being rendered by the C.N.R. is not as good as the service that was rendered 50 years ago.....



Now, I will try to explain why. 50 years ago there were two coastal boats operating; one from St. John's that went around Argentia, and another that operated from Placentia around the coast to Port au Basque, and about the same time, or for a period between 1930 - perhaps, say, in the 30's there was also a steamship service on Fortune Bay. The present population in the area which I am now discussing is at least 50 per cent greater than it was 40 or 50 years ago. We now have two coastal boats that operate normally from Argentia along the coast to Port aux Basques. The passenger service in particular is inadequate.

Now, despite the fact that the boats that are operating now are larger than the boats that operated 30 or 40 or 50 years ago, but it must be borne in mind that 40 or 50 years ago - even 25 years ago - there was a much lesser number of people travelling along the south coast than are travelling now, and the accommodation on board the two boats that are now operating is not very much greater than was the accommodation on the two boats the three boats in operation in the area 30 years ago.

The travelling conditions, in so far as passengers are concerned, are terrible, especially in the summer. From the standpoint of comfort the situation is not as bad now as it was two or three years ago because I believe that the Department of Transport has restricted the number of passengers that any of these boats can carry, how many on one trip. I myself have



travelled on the south coast not many years ago when I saw people lying around - passengers having paid first class fare - lying around the corridors, but as I say, the Department of Transport has restricted the number now, but that has brought about something else and that is that with the restricted number of passengers that the boats are now permitted to take, it means that there is generally - especially during the summer, let us say from June through until October - there is an overflow and there are usually far more people trying to get passage on these boats than can secure it and it has become not only annoying to people who want to travel, but it has made travelling expensive. People wishing to come from the mainland to Newfoundland, many of them former Newfoundlanders, people who want to come home to Newfoundland during the holiday season, they come down to North Sydney believing that they can go right along to their homes along the coast, but they find that that is very often impossible. Sometimes they are obliged to go back because they don't have sufficient vacation time to wait around until they are able to reach their home port. Then sometimes people going up the coast, the boat goes as far as Hermitage Bay, and when there are too many passengers on board she makes the direct trip on to Port aux Basques, will land the passengers that are destined from there to Port aux Basques and points west, and sometimes they make special trips to Port aux Basques and perhaps to Ramca and land passengers, and then go back and pick



up and make the regular trip. That is time and money consuming for the travelling public.

In the matter of freight the situation, perhaps, is not quite so bad, but there is frequently congestion of freight, too, but I am not so particularly concerned with that angle as I am with the passenger and mail service. While speaking about the passenger service I should like to mention something else, and that is that these coastal boats carry freight of all kinds. I have been on board the coastal boats occupying a cabin, an upper deck cabin, but coming up from the lower hold I have had the experience of travelling with that aroma that comes from fish meal and I pride myself on being a fairly good sailor, but in my entire days - I used to go to sea and enjoyed it - but I confess that on board a boat that is carrying fish meal is not very pleasant. I merely mention that in passing, but I think where a boat is carrying passengers that there should be some control over the type of cargos carried, such as fish meal, which I think ought not to be carried on passenger boats.

THE ACTING CHAIRMAN: How do you get the fish meal out?

MR. CHEESEMAN: Needless to say, you never spent any time around fish boats.

THE ACTING CHAIRMAN: If the boats can't carry it, who would?

MR. CHEESEMAN: With the regular coasting equipment it is not necessary that it should be carried



that is, with the passengers; I think cargo such as fish meal should be carried on regular freight carriers and not on boats carrying passengers at the same time.

THE ACTING CHAIRMAN: Are they not mixed boats now?

MR. CHEESEMAN: Yes, they carry freight and passengers, but I am suggesting, Mr. Chairman, that there should be some restriction on the kind of freight that is carried and an objectionable cargo, such as fish meal ought not to be carried on passenger boats.

Now, to criticize is one thing - and it is easy, I realize - but I would hope to make some suggestions that I would like the Commission to consider.

I would like to see - and it is not a new idea, because when I first entered public life 40 years ago I advocated what I am about to advocate now, and nothing has been done about it - and that is that the south coast, particularly that section from Port aux Basques to, say, Clarenville should have a specially constructed passenger boat, a boat that would carry passengers only and plus mail and express and not a cargo. Now, a boat to do that service properly should be specially constructed and should have, in my opinion accommodation for, say, 250 passengers, should have accommodation for probably 25 motor cars, because there are a lot of people on the mainland who would like to take the trip down the coast, take their car and get off at Clarenville, or whatever the terminal point would be, and



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then motor to the Avalon Peninsula, and so on, and I believe that the present and potential traffic on that coast would justify such a service. It would, of course, have to be coupled with a bus service and probably some form of trucking service that they would carry mail and express on from St. John's to the terminal point in Fortune Bay and with scheduled stops probably at some places on the Peninsula, and I suggest that that is a scheme that is well worth careful consideration.

The south coast of Newfoundland is a very great potential to the tourist trade and perhaps it is not generally known. It is a very rugged coast, but it has some very beautiful scenery and it would be attractive to those people who like that rugged scenery.

Now, I was a little disturbed to hear this morning that somebody had suggested that hotel accommodation at Port aux Basques might be provided by putting room accommodation on the present railway station to provide hotel accommodation. Mr. Chairman, in my opinion such a thought should not be entertained.

Railway station hotels, as they were generally known, might have had a degree of popularity in the 18th and the first part of the 19th century, but in this day and age who wants to be sleeping in a hotel with the shunting yards all around, and in the case of Port aux Basques you have the shunting on one side and the boats loading and discharging on the other side. Now, within a two minutes walk - not a drive - within a few minutes



walk from the railway yard at Port au Basque there is an excellent location for hotel and motel accommodation. It is a place called Grand Bay Junction, which is probably about a mile from the pier and there, I suggest, is where there should be hotel accommodation, and there is no doubt about the fact that hotel accommodation is badly needed. Of course, that is the point of entry to the province for people coming over on that very fine ship, the Carson, and there should be better accommodation provided for the travelling public, and if I may for a moment revert again to the south coast passenger and mail service that I am suggesting, I would further suggest that if it could be arranged that that passenger boat would operate between Fortune Bay and along the coast to Port aux Basques and then cross to North Sydney, delivering its passengers at North Sydney and picking up passengers for the coast at North Sydney, and it would relieve the pressure on the Carson which is already too small for that service. Now, a great deal of inconvenience and delay would be avoided to not only the passengers using it travelling to the south coast, but the passengers going along the Trans-Canada highway or on the railroad. I suggest that it should be continued on to North Sydney.

The freight service could be improved if it were possible, but I have been told that it is not possible; that is, if the freight for the south coast and freight originating on the mainland, if that could be lowered on board the south coast boats at North Sydney,



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it would save a great deal of breakage, a great deal of time, but I am told and I think there is a very good reason why, perhaps, it is not practicable to do so. At the present time the system is to load all freight at North Sydney to Newfoundland, and then it comes to Port aux Basques and it is then segregated from that which is going down the coast, and that which goes to the railway is put in something else, and I am merely mentioning that for your consideration.



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THE ACTING CHAIRMAN: Mr. Cheeseman, I think it is true that C.N.R. has boats and charters boats to carry gasoline and explosives and that sort of thing: your suggestion would be they carry fish meal too?

MR. CHEESEMAN: Well, boats of that type would certainly be more - well, it would be better to see fish meal carried on a boat of that kind rather than a passenger boat. Since I first started to advocate this combined mail, passenger and express service on the south coast conditions have changed greatly, but the changes have all made that type of service more important and easier to perform because now we have a network of roads going out over the Peninsula and it would be easier to do than it would have been 20 years ago. I am not criticizing the C.N.R. management or the captain's or anyone connected with it, I realize they are doing their very best within the limitation, but I contend that the service is not properly organized in the best interest of the province and of the coast in particular.

THE ACTING CHAIRMAN: Anything further, Mr. Cheeseman?

MR. CHEESEMAN: Mr. Chairman, I know you have a lot to do and when I get on a subject of this kind I could carry on for a few days, but I do not want to impose myself upon your good nature.

THE ACTING CHAIRMAN: Thank you very much, Mr. Cheeseman.



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COMMISSIONER BALCH: I would like to ask if there are any independent operators between Port aux Basques and your point?

MR. CHEESEMAN: There are several schooners.

COMMISSIONER BALCH: Are they carrying passengers?

MR. CHEESEMAN: No, there are few very small passenger boats that operate in between villages in some sections.

COMMISSIONER BALCH: How many passengers travel or do you think at the present time the C.N.R. is losing money?

MR. CHEESEMAN: Well, that of course I would not know whether they are losing money or not. Most government operations according to my experience lose money and it would be strange if the C.N.R. was not losing money. Let me put it this way, that if they are losing money on their south coast service as it is presently being done, I think they could save money, they could probably make it into a profitable service if they would follow the suggestions that I have made.

COMMISSIONER BALCH: You think it would be profitable?

MR. CHEESEMAN: I do because it appears to me that we hear fantastic discussions about the C.P. taking over the C.N. because the C.N. is being subsidized. Here we are asking that the C.P. take over something that the private enterprise could not handle be-



cause they could not make money, but we are asking the C.N.R. to do that very thing and later on we complain because there is a subsidy paid to the C.N. Of course, I am not complaining about the subsidy at all and the fact is the C.N.R., I assure you without consulting me, did take over the service and it is not their responsibility and as residents of this province it is our responsibility to see that we get the best possible service under the circumstances. More particularly by, I said in the beginning, having made myself the self-appointed spokesman for that section of the south coast and I am trying, if I can to reach people to see that we on that section of Newfoundland get a bit better service than we are getting at the present time.

COMMISSIONER BALCH: Do not think for a moment that I do not sympathize with the conditions of these people. That is all, thank you.

MR. COOPER: Have you discussed these matters with the Canadian National Railways at all, Mr. Cheeseman?

MR. CHEESEMAN: Well, from time to time - let me put it this way, I have drawn to their attention certain of the things I have mentioned here.

MR. BOYD: When you mention the additional hotel facilities at Port aux Basques or near there, do you think there is enough traffic to make that a self-sustaining operation?

MR. CHEESEMAN: Quite frankly I have not gone into the economics, so therefore it would be rather



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silly for me to make a definite statement. But, I believe that with the Trans-Canada highway, with the better service on the gulf with people generally having more spare time, more money to spend, that the potential is good and that it ought to become a paying proposition.

MR. BOYD: It might justify the investment of private capital?

MR. CHEESEMAN: I would think so.

THE ACTING CHAIRMAN: Thank you, Mr. Cheeseman.

You have another witness?

MR. LEWIS: Mr. Lewington. Mr. Lewington proposes to speak on express deliveries which is found on page 16 of the brief. What is your position Mr. Lewington?

MR. LEWINGTON: Manager of Eastern Provincial Airways.

MR. LEWIS: What is Eastern Provincial Railways?

MR. LEWINGTON: A commercial aircraft service between Newfoundland and Labrador.

MR. LEWIS: Where is it operated?

MR. LEWINGTON: In Newfoundland.

MR. LEWIS: You have submitted a brief here on behalf of that company in relation to express deliveries.

MR. LEWINGTON: Yes, I have.



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MR. LEWIS: Are you in a position to talk to that now?

MR. LEWINGTON: I think so. Mr. Chairman and gentlemen of the Commission, as I just stated I am manager of Eastern Provincial Airways a wholly owned Newfoundland company. We have been conducting commercial air service in Newfoundland for the past three years and our activities are generally north of the populated areas, but we naturally have considerable interest in all transportation matters in Newfoundland. We are particularly interested in problems of moving traffic across the Strait between Sydney and Port au Basque. We are convinced that much of the delay and a great deal of the burden on the service facilities could be relieved in air transport where used. All the second class mail and a very considerable quantity of the express that now travels that route might be lifted at Sydney Airport proper and set down at principal points on the island. The points I have in mind are Stephenville, Deer Lake, Gander and Torbay. The saving in time, we believe, would average 36 to 72 hours and at those congested times in the peak periods of traffic the saving of time might be as much as 67 days on certain classes of traffic. There is no problem of stowing cargo in an aircraft so it comes off in proper order of discharge if that should be necessary and frequent flights averaging 8 tons would facilitate making up plane load lots and less cargo handling.



The aircraft I have in mind and the one I believe most suitable is the C46, a machine that is readily available at comparatively modest capital cost. It is easily maintained and capable of meeting all the ICAO transport category A specifications. To give you an idea of the performance figures for this aircraft, it will lift a gross of 50,100 pounds and has a useful load of 20,800 pounds. That useful load includes the fuel and the crew and the equipment necessary for the aircraft in flight. It cruises at 232 miles per hour at gross load and at a range of 200 miles it can achieve a block speed of 195 miles per hour and lift a pay load of 18,668 pounds. At a range of 400 miles the block speed goes to 208 and the pay load is 17,800 pounds. At 600 miles the block speed is 213 and the pay load 16,900. Using this particular aircraft the cost to the shipper would be in the order of 90 to 95 cents a mile based on a minimum annual aircraft utilization of 2,400 hours a year. A tariff designed to encourage traffic towards the mainland might have a fairly wide range of pulls, but on a route from Sydney, Stephenville, Deer Lake, Gander and Torbay with an airline distance of 528 statute miles and assuming a year-round load factor of 50 per cent the unit toll would be in the order of \$5.00 per hundred weight between Sydney and Torbay.

THE ACTING CHAIRMAN: How would that compare with the present rate?



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MR. LEWINGTON: I believe the rail express today from Sydney to St. John's is \$4.25 per hundred weight.

THE ACTING CHAIRMAN: \$4.25?

MR. LEWINGTON: I believe it is. The volume of traffic, of the traffic that might be offered would permit direct flights to these four distribution points. A direct flight from Sydney to St. John's is 367 miles and the rate for that flight alone, again assuming this utilization of 2,400 hours a year and a 50 per cent load factor, the rate in that case is \$3.67 a hundred. From Sydney to Gander is 331 miles and it goes down to \$3.31. Deer Lake is \$2.65 and Stephenville is \$1.96 a hundred.



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Of course, the pattern of traffic-flow would not always be as simple as that; it would be, undoubtedly, more complicated for a number of reasons, including a number of operational reasons; and, therefore, our estimate is near to \$5.00 per hundred weight for goods or express to Sydney and Torbay. At Sydney, Stephenville, Gander and Torbay there are fully adequate airport facilities, with modern navigation aids for aircraft, but at Deer Lake the strip would require winter maintenance and some aids in landing - that is, lighting - and it is our opinion that two simple beacons with two automatic direction-finders for aircraft would permit aircraft to descend and land to the limits we are anticipating. At each of these terminals it will be necessary for trucks and loading and discharging equipment to transfer cargo to the local warehouses; and we have been assured that there is warehousing accommodation in the local communities adjacent to these terminal points.

Six aircraft maintaining five flights a day the year round would have an actual capacity of 32,850 ton. I am estimating that at least half of that capacity could be effectively accepted, and with, as I say, the facilities that are readily available at these terminals I have mentioned, we would have an acceptance rate that would take care of that frequency; as a matter of fact, it could easily be doubled, since the mail - that is, the second, third



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and fourth class mail - that is transported over that route amounts to 6,570 tons towards Newfoundland and 1,640 the other way; and that, in itself, provides a nucleus for setting up a service at a frequency that can be developed to take care of the express. High load factors are possible to make it possible to increase the flow of traffic to the mainland beyond the 25 per cent. My estimate of it, on the knowledge we have, is that for every 100 pounds that come this way there is only 25 pounds going in the opposite direction; and as I have already said I am sure that greater volume could be moved, doubling the capacity, and I believe that facilities up to 10 flights a day are readily available in those areas right now.

Loss in revenue to the C.N.R. might be offset by decrease in their overall operating burden; and certainly all the mail that I have described, and a good deal of the express, could be moved by air, to the greater advantage of the public interest and, I believe, at considerable saving to the Newfoundland consumer.

Thank you.

THE ACTING CHAIRMAN: The company is private enterprise?

MR. LEWINGTON: Completely private.

THE ACTING CHAIRMAN: What would the capital cost of six aircraft be?

MR. LEWINGTON: These aircraft are on the market today at \$68,000.00; and including modifica-



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tion we have in mind, 150,000 to 180,000 dollars.

THE ACTING CHAIRMAN: Well, would your company, if this were instituted, be asking for a subsidy too?

MR. LEWINGTON: Not at all; I am quite sure that, on the volume I am speaking of here. --

THE ACTING CHAIRMAN: -- you would take a chance?

MR. LEWINGTON: Absolutely.

THE ACTING CHAIRMAN: Well, you realize that if this 32,000 tons were carried by you, and the mail as well, you would be taking that much from the railway?

MR. LEWINGTON: Quite so.

THE ACTING CHAIRMAN: And endangering their service - we will put it that way.

Are there any questions?

COMMISSIONER MANN: I have a number of questions I should like to put to Mr. Lewington. I am interested in the remark you have in your statement there suggesting the palletisation of loads at Sydney. Express, of course, is mandatory. Loading with palletisation would be possible with other loads?

MR. LEWINGTON: Yes.

COMMISSIONER MANN: Such as a number of goods which don't usually move by express?

MR. LEWINGTON: Yes.

COMMISSIONER MANN: Would you run into any



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difficulty with palletisation by express?

MR. LEWINGTON: We would have to anticipate the classes of cargo. The pallets I am envisaging would be in the order of 5 x 5 x 10 feet, and they would be open pallets.

COMMISSIONER MANN: You wouldn't have pallet boxes; you would have your pallets open?

MR. LEWINGTON: Yes.

COMMISSIONER MANN: Open and suitable for the entry of, say, a fork lift?

MR. LEWINGTON: Yes; and the loads secured with cargo net or lashing of some sort.

COMMISSIONER MANN: Now, have you bid on the mail contract?

MR. LEWINGTON: We carry mail for the Post Office Department to the north.

COMMISSIONER MANN: Not from Sydney?

MR. LEWINGTON: No.

COMMISSIONER MANN: Have you bid on the Sydney to Newfoundland mail contract at all?

MR. LEWINGTON: No.

COMMISSIONER MANN: If you were to bid for the mail contract what you would get from the post office would provide the backbone for the operations, would it not?

MR. LEWINGTON: That certainly would be a very fine backbone.

I think I misunderstood your first question.



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You were asking me if we had bid on the mail contract?

COMMISSIONER MANN: Yes.

MR. LEWINGTON: We have made proposals to the Post Office Department in that connection; but there is no invitation to bid.

COMMISSIONER MANN: Now, you give a rate of \$4.25 express from Sydney to St. John's. Would that be the first class rate express?

MR. LEWINGTON: I believe it is.

COMMISSIONER MANN: I am not quite clear on that. Would that include pick-up and delivery at Sydney and St. John's?

MR. LEWINGTON: Again, I think I have misunderstood you. The rate we are suggesting would be nearer to \$5.00 per hundred weight by air.

MR. MANN: I understand that.

MR. LEWINGTON: But the \$4.25 is the rate express. I haven't attempted to estimate what would be the cost of delivering to the railway, again, say in St. John's, or to deliver to the consignee.

COMMISSIONER MANN: In other words, the rate of \$5.00, which is your average, would have to be increased by adding to it the pick-up factor and the delivery factor?

MR. LEWINGTON: Yes.

COMMISSIONER MANN: Probably something in the order of 40 cents or 30 cents?

MR. LEWINGTON: Very likely, yes.



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COMMISSIONER MANN: Now, I think you gave the volume of express available from Sydney, but I have forgotten it --

MR. LEWINGTON: It was mail, and these figures are now at least a year old, and we know from experience that it is increasing almost 10 per cent each year; but the last figures that I had were 6,570 tons from the mainland to Newfoundland and the mail leaving Newfoundland for the mainland is 1,640 tons a year.

COMMISSIONER MANN: Would that be first class mail you are talking about, or third class and second class matter?

MR. LEWINGTON: This is really all second, third and fourth.

COMMISSIONER MANN: The first class matter would all go by T.C.A. now?

MR. LEWINGTON: Yes.

COMMISSIONER MANN: Have you any estimate at all of the express originating at Sydney for Newfoundland?

MR. LEWINGTON: I haven't. I feel sure that it is quite a good deal more than 8,000 pounds. I am suggesting that it would take the carrying capacity of six air craft five flights a day.

COMMISSIONER MANN: What loads originate there? This wouldn't be express? That is carried rail at Sydney?

MR. LEWINGTON: Yes.



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MR. MANN: Air transportation, as we all know, has exciting possibilities, and we are looking at all forms of this sort of thing. What I am wondering about is this: If you take a shipment originating at Montreal the express rate could be made up of two factors - one to Sydney and one beyond; so that there might be occasions where the overall express rate from Montreal to St. John's would be lower than the shipment on the two factors from Montreal to St. John's and St. John's to Torbay. You have no estimate of that at all?

MR. LEWINGTON: No, I haven't. The big thing we are suggesting is greater speed and, perhaps, ability to handle at least fragile and perishable goods by express with a little better despatch.

COMMISSIONER MANN: And you would certainly think, under your proposed system of second and third class mail matters, that the service for that type of mail would be speeded up considerably?

MR. LEWINGTON: I feel sure of that.

COMMISSIONER MANN: Thank you very much.

THE ACTING CHAIRMAN: Mr. Platt?

COMMISSIONER PLATT: Mr. Lewington, have you given any consideration to picking up the express right at Montreal or Toronto?

MR. LEWINGTON: Yes; but I don't believe that we can come anywhere near competing with the railway rates there. Another consideration is that



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a good deal of the express for Newfoundland originates at Halifax and Moncton - some, at least, of the zoning points or convenient points to pick up express - but, once again, I feel quite sure that the railway rates are much lower than we could quote.

COMMISSIONER PLATT: Of course, with your rapid delivery you would expect a somewhat higher rate?

MR. LEWINGTON: That is our view, yes. Mind you, the \$5.00 a hundred weight that I quoted to you here is, I believe, a conservative figure, and with experience and a properly-developed pattern I think that that rate would come down substantially. I would hope, in the course of time, to be able to say that the traffic on express from Sydney to the actual destination could be done for 5 cents a pound.

COMMISSIONER PLATT: I have certainly appreciated your presentation. It is a look at a difficult problem.

THE ACTING CHAIRMAN: We are certainly looking at air transportation.

MR. LEWINGTON: I am glad to hear it.

MR. BALCH: Would it be possible for you to pick up some of the express between - -

MR. LEWINGTON: From Sydney?

COMMISSIONER BALCH: To St. John's?

MR. LEWINGTON: This is an opinion, and, of course, I haven't arrived at any figures from any



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actual study of the movement, but it does happen on occasion at the peak period.

THE ACTING CHAIRMAN: We don't think we can solve everything or, perhaps anything, - but, in any event, without looking into a crystal ball, we have to consider the air as it is today with us and the air of the future.

Mr. Cooper?

MR. COOPER: Mr. Lewington, I was wondering if you have looked into the question of moving passengers by air from Port aux Basques to St. John's?

MR. LEWINGTON: Yes. That isn't feasible in the immediate future. First of all, there is no airport facility there - -

MR. COOPER: At Port aux Basques?

MR. LEWINGTON: At Port aux Basques. For your information, if I might continue, there is a possible site nearby, but as I see the traffic now the expenditures on airport facilities there are not at the moment justified. It may be in the future, but I wouldn't press that point any further.

MR. COOPER: What services do you operate at the moment? You may have given us this information before, but perhaps you wouldn't mind repeating it?

MR. LEWINGTON: Our services are largely chartered services, as I say, covering the whole province. During the winter months, when surface



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transportation ceases, we service - I am not too sure - but I believe it is 42 or maybe 48 points in Newfoundland for the Post Office Department; and along with that, of course, we carry the local mail and express that is possible in the space available. Our charter operations cover the whole of the province, and we do an irregular service to St. Pierre and Miquelon.

MR. COOPER: Is there any other company operating in Newfoundland in the field of air services comparable to the services which you offer.

MR. LEWINGTON: Yes, there are several; Maritimes Central, of course, are running scheduled services. They are not quite comparable to ours. But in Labrador there are two or three other companies who are operating almost identical types of services.

MR. COOPER: They are operating in Newfoundland - that is, on the island of Newfoundland?

MR. LEWINGTON: No, I am speaking of Labrador.



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MR. COOPER: They don't come on
to the Island of Newfoundland?

MR. LEWINGTON: Only occasionally; they
are principally centred around Goose Bay.

MR. COOPER: You said that
Maritimes Central Airways has a scheduled service?

MR. LEWINGTON: That is right.

MR. COOPER: Where does that
service originate and where does it terminate?

MR. LEWINGTON: They run a scheduled
service from Torbay to Gander and Goose, and from Goose
to Moncton.

MR. COOPER: That is the only
scheduled service outside of the T.C.A. service?

MR. LEWINGTON: That is right.

MR. BOYD: Does your proposal involve
any further approval from the Air Transport Board?

MR. LEWINGTON: Yes.

MR. BOYD: Have you made any applica-
tion for that approval?

MR. LEWINGTON: The application is in
the making now for their approval.

MR. BOYD: And you have established to
your satisfaction the economies of your proposed
operation?

MR. LEWINGTON: Yes.

MR. BOYD: I assume the availability of
the C46 and other aircraft comes about through the



transition to the jet age?

MR. LEWINGTON: Yes. There are a number of aircraft on the surplus market and a number of good aircraft at very reasonable prices.

THE ACTING CHAIRMAN: Thank you, Mr. Lewington.

Although it is 12:30 I think we have plenty yet to do and we will have Mr. Balloch now. I think, Mr. Balloch, that we have perused your memorandum and it is doubtful if part of it comes within our Terms of Reference, the Seaway tolls, and so on, but we will be glad to hear from you anyway.

MR. BALLOCH: Thank you very much indeed, Mr. Chairman; we realize that, and we discussed it with the Government and they told us that you very kindly consented to hear this even though it wasn't within your original terms.

MR. LEWIS: What is your name, for the record?

MR. BALLOCH: Anthony Edward Balloch, Assistant General Manager of Bowater's Newfoundland Pulp and Paper Mills Limited.

MR. LEWIS: And you propose to speak to the Submission which is included in the addendum?

MR. BALLOCH: Yes. Now, I would like to use the map. Most of what I have got to say concerns the layout as marked out on the roads.

First of all, to explain our company, we



are operating pulp and paper mills here in Corner Brook with annual sales somewhere over \$40 million.

Now, why transportation is so important to us is that we spend of the \$40 odd millions probably between 4 and 5 million in moving our product from Corner Brook to our main markets in the United States, the east coast, the Great Lakes and some to the Commonwealth countries, and we spend a further 2 or 3 million on moving our wood to the mills. The transportation is probably the biggest individual problem which we have in the successful operation of the company.

Now, our wood, on which this mill at Corner Brook is based, was originally to come largely from the watershed of the Humber River, and this watershed extends over that area. Now, in addition we had a licence from the Government on freehold land which covers wood supplies down to the west, and we have a large area here from Gander and the Baie Verte Peninsula and the Northern Peninsula. Now, that way it is going by the mill and obviously anything directly on the watershed can flow straight down. All the wood on the railroad can be railed up from there, and from Gander it can be railed across the country to there. You will remember....

MR. ANDERSON: Would you name the place rather than saying "to here" and "to there"?

MR. BALLOCH: Right, Mr. Anderson.



Sorry. Now, from Baie Verte Peninsula and from the Northern Peninsula there is no access at the moment other than by water. The picture can only change with the development of highways.

Now, we need highways, we use highways for a number of things. In the area to the southwest of Corner Brook wood can be trucked in directly to the North. In the area adjoining this watershed wood can be trucked over from neighbouring watersheds, and from the southern parts of the Baie Verte Peninsula it can be trucked into the main watershed and delivered at an economical price. However, on the east coast into Gander the wood can be trucked - it has to be trucked to the water and then put on the rail. I have outlined that in the brief, the various methods which we use to bring in wood.

Now, the highways system of Newfoundland has been touched on in earlier briefs but I think that it might interest you, Mr. Chairman, and the Commissioners, if I just gave a brief summary of what the present road system is like. The Trans Canada Highway starts from Port-aux-Basques, it is paved for 10 miles out of Port-aux-Basques and then becomes unpaved until you get to within 10 miles of Corner Brook. Then we have 10 paved miles, 7 miles of old paving, pre-war paving, and then another 10 miles of paving to Deer Lake. This is unpaved here. This is in places a very rough road, and I think Mr.



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Mann here has actually been along it so he can explain to you what it is like. It is a rough, unimproved road in many places.

THE ACTING CHAIRMAN: Gravel?

MR. BALLOCH: Gravel, but in some places it is rock. The rocks are perhaps a bit more prevalent than the gravel in parts that were formerly wood roads and have not yet been improved.

THE ACTING CHAIRMAN: This is following the railway?

MR. BALLOCH: Yes, generally speaking that is so; it follows it abruptly here and a bit more to the east; very closely by this section and then breaks away here and then the railway comes across.

MR. COOPER: Where is the point at which it breaks away?

MR. BALLOCH: Deer Lake. The highway goes to the north and the railroad goes straight across. The highway then comes down the bay line and rejoins the line of the road here.

COMMISSIONER ANSCOMB: Before you move from there, at what point does the Province have to complete this portion of the Trans Canada Highway? It is limited to the years 1961 or 1962, is it not?

MR. BALLOCH: I don't know that, sir.

THE ACTING CHAIRMAN: I believe that has been extended.

MR. BALLOCH: They have been doing a



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tremendous job. In this Province it is starting from scratch, and that is the key of the problem.

COMMISSIONER ANSCOMB: Some relief is in sight?

MR. BALLOCH: A great deal is being done. It is paved from here to here, from Grand Falls to, I believe, Norris Arm, and then there is a bit of paving near Gander, but as far as we are concerned for our operations that is the extent of it. These bits you see out here branching off were in many cases originally woods roads, and some are still unimproved woods roads and I think it is so marked in black on the map which you have. The roads marked in red in a number of places are only woods roads which the Government have now taken over and have improved to a somewhat better standard for public use.

MR. COOPER: Would you mind giving us the general area of these feeder roads or indicate them with more particularity so that the record will be clear?

MR. BALLOCH: I think, Mr. Cooper, if I could say this, that in general the feeder roads are marked in dotted black lines on the map, the official road map of Newfoundland for 1959.

THE ACTING CHAIRMAN: I think that we will file a copy of that map.

MR. BALLOCH: You see a number of black



roads there? Those are company roads at the moment.

MR. COOPER: Perhaps we should file under an Exhibit number the Newfoundland official road map for 1959, and that Exhibit number will be 42. Now, the last Exhibit, I think we said, was 42, but we have combined - if I may correct that - we have combined the two last Exhibits as number 41 because they were both time-tables, numbers 92 and 93, and we put them both in as Exhibit 41, so that this will be Exhibit number 42.

---EXHIBIT NO. 42:

Official road map of Newfoundland, 1959.

THE ACTING CHAIRMAN: Go ahead.

MR. BALLOCH: Turning now to the logging operation as such. The most important areas for us are those that lead into the drainage of the Humber, and then this area here which joins the main watershed at Deer Lake and the Baie Verte Peninsula; the road goes from Baie Verte to Birch Lake and joins the Trans Canada Highway there.

Now, all the trucking which is done for our company is done by private contractors, we don't do any ourselves; some is done by small companies with a few trucks, the rest is done by private individuals using their own trucks. Generally speaking, it is the standard $3\frac{1}{2}$ ton truck that is used and they can carry probably 6 to 8 tons properly loaded, and in doing that on our roads here



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they can only manage to operate somewhere between
5 and 6 miles to the gallon.



I have shown the figures here, which you will see, of the quantity we are trucking now, which is nearly 200,000 cords or 400,000 tons a year. This trucking is still hamstrung by the state of the roads; it is not a thing for which any blame can be attached to anyone because the companies and the government have been working to develop, with our resources -- to develop the roads as rapidly as possible. But, the fact is even the Trans-Canada Highway in many points is murderous to trucks. I quote in here the troubles that developed on the roads as they are at present. We have a load limit of 12 tons, 24,000 pounds, which is standard, but in a great many cases it is meaningless as you cannot load to full capacity on the bad roads. Secondly, the speed is so restricted -- we have very severe breakdowns and loss of time, high fuel consumption and damage, particularly to tires. A new set of tires for one of these trucks costs, I believe, in the vicinity of \$1,000, and they will wear out in a matter of a few months.

If you have these trucks running three runs a day of 20 miles each, 120 miles on roads with rocks jutting out with sharp edges, with odd stones, the maintenance is quite unbelievable. The result is that our economical trucking distance here is somewhere in the neighbourhood of 25 miles. Down southwest of Cornerbrook where the road is paved -- it was only paved last year -- the difference there is astonishing and the truckers who are operating that run now estimate



that they would break even at somewhere around 45 miles with the normal railway which is the guiding balance of whether you can bring it in. Down on the southwest section where the railway goes in and the roadways at the moment the point is 25 miles and where the roads are paved it goes up to 45 or 50 miles. In a lot of places the railway is not available. Here in the Baie Verte peninsula the only method of transporting wood to the mill, and it is an exceptionally well-wooded peninsula, is by Birchy Lake and thus by water or by sea around the coast, by sea around the coast which would cost over \$10 a cord, and that would be ---

THE ACTING CHAIRMAN: That is prohibitive?

MR. BALLOCH: Quite prohibitive. Once you go over \$5 a cord it gets very difficult because, generally speaking, our wood costs here are heavy and delivery is the biggest cost involved. The only way we can develop that area is to bring the wood back by road to Birchy Lake. This is particularly important, I might add, because that is where we had the big fire this summer. The only way we can see a major reduction in wood costs is to have good roads.

Now I should add that the Government of Newfoundland has always worked very closely with the two companies, the Department of Mines and Resources and the two companies. In fact, road building is of joint planning and you will see in the northern part of the peninsula a typical case where we built roads



as a company for our woods operations and the government then extended them to one or two settlements and took over the whole highway system in the area.

The two submissions that I should like to put forward in this road development are, firstly -- this is not so much a matter for the Commission, I realize, as for general policy-- is that in planning the link-up of transportation facilities generally with all the communities around the coast it will need the closest link with the logging industry to be sure that we get a solution that is economical for both of us. There is no use running a road down a coastal section to a community if it just hugs the coast. That road should be able to go in two or three miles further inland to an area ideally situated for woods development. The planning of a highway net needs the closest coordination between the communities, the logging industry and the government.

Secondly, the raising of the standard of the highways must be one of the elements in improving Newfoundland transportation. Roads have always opened up any country. Here we can now drive from St. John's to Cornerbrook. I have not done so because I would rather trust the CNR than my own driving over that highway, but it is a great step forward. It is a step that, if you look back ten years ago it would be amazing to see what has been



achieved in those ten years in providing highways.

The great need is to complete the Trans-Canada Highway, to complete it to a paving standard, and, secondly, to bring the main feeder highways up to a similar standard. The Baie Verte road and the Lerner road are the two examples, and I am sure there are others on the eastern coast to bring the main feeder roads up to, if not pavement standard, at least good gravel standard. Then it would put the logging industry of Newfoundland competitive with similar industries, for instance, in the State of Maine, Quebec and Ontario where roads have been growing. In the Maritimes they have been growing for many years and have now reached a standard where they can truck wood up to fifty or sixty miles economically; they can truck it in loads of eight or ten cords against our three and a half to four.

I think that is all I have to say, Mr. Chairman -- in the main, the improving of the Trans-Canada Highway and its main feeder roads, and planning future development in conjunction with the logging industry. That is all I have on the road side of it.

THE ACTING CHAIRMAN: Thank you very much.

MR. BALLOCH: Perhaps you would like to ask some questions about that before we go on to the others. The others are very much shorter.

THE ACTING CHAIRMAN: I do not think so.



You have covered it very well.

COMMISSIONER GOBEIL: What is the percentage of your pulpwood which is trucked?

MR. BALLOCH: Forty per cent is trucked at some stage of its career.

COMMISSIONER GOBEIL: And what is the cost of your lumber up to your mill to bring it to your mill? I mean, the whole cost.

MR. BALLOCH: It runs normally to \$27 and \$30.

COMMISSIONER GOBEIL: I see why you cannot afford \$10 more.

COMMISSIONER MANN: I have a couple of questions. In your written submission you talk about essential requirements for economical trucking and you have there a load capacity up to 25-30 tons. Is that the load capacity or the gross weight?

MR. BALLOCH: That is the load capacity, a Class 30 grossly overweight -- the capacity of a bridge to carry thirty tons.

COMMISSIONER MANN: When you are talking about what you want it is not so much the load capacity, it is the gross weight of 30 tons. Now, do you have any agreed charges?

MR. BALLOCH: Yes, we do. We have agreed charges both from Glenwood on the east coast and from the railway points on the west coast.

COMMISSIONER MANN: Thank you very much.



THE ACTING CHAIRMAN: How long have you had these agreed charges?

MR. BALLOCH: I think, Mr. Chairman, since the CNR took over. We had the equivalent of agreed charges with the Newfoundland Railway.

THE ACTING CHAIRMAN: And they have not been subject to increases?

MR. BALLOCH: They have been negotiated. I cannot give you the answer as to how much it increased, but I do know we have had the greatest cooperation from the CNR.

THE ACTING CHAIRMAN: But they have not borne the corresponding horizontal increase?

MR. BALLOCH: No, we have by agreement been able to hold them down.

THE ACTING CHAIRMAN: They try to get all the traffic will bear, I have no doubt.

MR. BALLOCH: They do a wonderful job. The CNR move for us something like 300,000 tons a year of wood.

MR. COOPER: I have no questions, Mr. Chairman, other than to say that up to this point, Mr. Balloch, you have been directing your attention to the written submissions as amplified by what you have said on the Newfoundland road system and the paper industry, and that is shown in Exhibit 38-A.

MR. BALLOCH: That is right.

MR. COOPER: You are now moving on to the



actual submission and you will be referring to ice-breaking services?

MR. BALLOCH: And tolls. I realize the seaway tolls are particularly difficult, but I would like to get this grouse off my mind on them.

MR. DICKEY: May I just ask one or two questions on the road submission?

THE ACTING CHAIRMAN: Yes.

MR. DICKEY: Mr. Balloch, what in your opinion will be the impact on general trade programmes and the economic development in the areas that you have been mentioning, through the completion of the Trans-Canada highway and the improvement of the feeder roads?

MR. BALLOCH: I think they will open up the country in every possible way.

MR. DICKEY: Are these areas at the present time for normal transportation services very largely dependent on coastal steamship and small boats?

MR. BALLOCH: As soon as the area becomes opened up by a few roads more and more people can go there and can come away. This Baie Verte area on the tip of the Baie Verte peninsula where the government put in this road two or three years ago, since then that area has ceased to be isolated.

MR. DICKEY: Yes, and what has been the experience in the Corner Brook and related areas through the St. George area and down to Port au Basque with respect to the development of trucking services



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since the road improvement has taken place?

MR. BALLOCH: I cannot answer that question in detail except to say I have seen a great many more trucks there. For the first time with the traffic from Corner Brook towards Deer Lake -- and we had a lot -- fifty per cent of the cars were out of state, from Quebec, Maine, Massachusetts and Ontario as well as the Maritimes, just with the development of this road as it is at the moment. Pave that road, build it up to proper standards and you have the country opened up.

THE ACTING CHAIRMAN: The possibilities of tourists are tremendous?

MR. BALLOCH: I wish, Mr. Chairman, that all of you could see the west coast here. I am on difficult ground but the Bay of Islands is one of the loveliest districts that I know of anywhere. We have roads now on the north shore and on the south shore.



THE ACTING CHAIRMAN: The possibilities of tourism are tremendous?

MR. BALLOCH: I wish, Mr. Chairman, that all of you could see the west coast. I know I am on dangerous ground, being in the eastern area! But you have the Bay of Islands here, one of the loveliest districts that I know of anywhere. We have roads on the north shore and . . .

COMMISSIONER ANSCOMB: Have you been on the Pacific coast?

THE ACTING CHAIRMAN: All right, Mr. Balloch.

MR. BALLOCH: Icebreaking I will go through very quickly.

You can see here we rely for our shipping on open movement through the Bay of Islands. It gets blocked completely in a bad winter, not at all in a good winter, and on the average of eight out of ten it becomes partially ice-blocked.

We need, and must have, icebreaking services, however, to keep open our port of Corner Brook. The figures I have given here, and the detail of ice conditions.

Now, the federal government have accepted the needs of the port for the provision of icebreaking services. Last year, the "LABRADOR" which, I suppose, is our best breaker -- at least equal to or duplicating the best -- the "LABRADOR" served the central gulf and escorted ships from the Cabot



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Strait until they could be handed over to the breaker on the north gulf; it would escort them up into the entrance to the bay.

My only reason for feeling it is necessary to put in a submission on this score is that there has been a great deal of publicity in the press about the provision of icebreakers for Newfoundland. The "HUMPHREY GILBERT" is sitting in the harbour here. I wanted to make it quite clear that the icebreaking problem in the province is twofold. There is the Newfoundland water ice problem which covers the area of the east coast -- St. John's-Conception Bay. That is one problem. Entirely separate is the question of the central and lower gulf, which is not a provincial matter. It is a national problem, affecting Prince Edward Island, Quebec, ourselves and New Brunswick. The two problems must never be confused; and because an icebreaker is stationed at St. John's does not mean that you can keep open the west coast.

I am not a shipping man, but I believe I am right in saying that a different type of breaker is needed for the east coast ice than for the gulf ice, and the Department of Transport have planned accordingly. What we would suggest is that, in view of the great tonnage through the Gulf, one breaker should permanently be located there -- a big breaker for the gulf service. In fact, that



was what was done last year; and, secondly, that Newfoundland has many ports which would be excellent base points for this breaker to lie.

I would like to emphasize again what magnificent services we had last winter, not only from the government departments in Ottawa, but from the crew and master of the "LABRADOR". They could not have done more for us. They kept us open all but two months and saved the whole of the district a very large amount of earning power.

THE ACTING CHAIRMAN: How many people are working for the company?

MR. BALLOCH: It is a difficult question to answer. We have about two thousand employees at Corner Brook; but in the woods, and as contractors for the company, I think we employ up to twenty thousand men at various times through the season.

THE ACTING CHAIRMAN: Seasonally?

MR. BALLOCH: Some only work a short time.

COMMISSIONER GOBEIL: Three months?

MR. BALLOCH: Some; and some may only go in for a month. Our wage bill runs out at between \$15 and \$20 million a year, which is of very great importance to the provincial economy.

THE ACTING CHAIRMAN: Yes.

MR. BALLOCH: I think I can leave ice-breaking at that.

THE ACTING CHAIRMAN: There is the question



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of Lake Comeau. Would the putting of an icebreaker there help you -- Bay Comeau, Quebec?

MR. BALLOCH: We are of the belief that they have just the same problem that we have. One breaker should be able to keep the southern approaches clear. . . .

THE ACTING CHAIRMAN: Does it share both ports?

MR. BALLOCH: . . . I would say the southern approaches to Bay Comeau and the southern islands-- one big breaker; but a small one could keep us moving from Cabot Strait up to the island and Bay Comeau.

THE ACTING CHAIRMAN: The Department of Transport has the ships now?

MR. BALLOCH: They do, yes.

THE ACTING CHAIRMAN: It is only the use of them you are concerned with?

MR. BALLOCH: Yes.

COMMISSIONER GOBEIL: You said you had a good service last year?

MR. BALLOCH: We want to be sure that we have a continuation.

THE ACTING CHAIRMAN: You don't want that temporarily?

MR. BALLOCH: No; we want a continuation of that. We would like to see the breaker based at Lake Comeau. I would like to make it clear in everybody's mind that putting an icebreaker at St. John's does not solve the icebreaking problem for



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the whole of the province.

On seaway tolls, we are old shippers to the lakes. We have shipped, since the company was established in 1925, to Cleveland, Detroit, Buffalo and so on, and we shipped there with reasonable economy in small lakers up into the old Lachine canals and the old canal system. We have now got the St. Lawrence Seaway. Traffic is now charged 95 cents a ton. The ships, where they used to be able to flow smoothly up without delay, are now heavily delayed waiting for entrance to the sections and waiting for pilots; and piloting charges have gone up. All in all it has amounted, in our calculations to date, to \$2.65 a ton increase in cost from what it was originally. Against that we are able to use ocean-going bulk carriers and that saves us a part of it; but it means that there is a net increase in costs, due to the seaway alone, of \$1.80 a ton.

Now, we do submit that the seaway was never designed to hamper, and hamper seriously, Canadian industries in the domestic trades in their old-established business; and that is what has happened. We are now put in the same position as the French, or the English, or the Italians, who are putting the odd load of paper into Detroit; they have to pay 95 cents a ton; and we, who are, you might say, on the banks of the seaway, are subjected to that same toll.



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THE ACTING CHAIRMAN: There is no preference?

MR. BALLOCH: The preference is given to other commodities than the paper industry. Pulpwood is classified as bulk cargo; baled wood pulp is classified as bulk cargo, on the principle that the bales are not individually stamped with a reference number. I believe that is the toll's definition of what is bulk and what isn't. Newsprint is express cargo in spite of the efforts all of us made to avoid that.

THE ACTING CHAIRMAN: Well, that could be cured, I suppose, by classification.

MR. BALLOCH: It is either one of two things. Briefly, of course, we feel that . . .

THE ACTING CHAIRMAN: . . . there should be no toll!

MR. BALLOCH: Charge the outsiders the toll.

THE ACTING CHAIRMAN: You would probably appreciate that in the west, too, Mr. Platt!

MR. BALLOCH: This is a great new investment for the country. Apart from paying our taxes, up goes our costs, and it is putting us at a very competitive disadvantage with the south. It is cheaper now to ship right down in the southern states to the lake than it is from Corner Brook because of the major reductions that there have been in railway rates; and that is a very serious threat to the Canadian paper industry.



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I don't know who of you have read the famous book "The Desereted Village" which was published at the time . . .

THE ACTING CHAIRMAN: We have all read the poem, anyway.

MR. BALLOCH: It is getting to be a very real threat. Their newsprint, fortunately, is not as good as Canadian newsprint, but . . .

COMMISSIONER GOBEIL: It costs less to produce?

MR. BALLOCH: By rail.

COMMISSIONER GOBEIL: To produce?

MR. BALLOCH: Yes; you are quite right.

The two things we would suggest -- we realize, in all seriousness, that we have to accept tolls -- but we would submit that newsprint should be classified as bulk cargo, which is subject to a 50-cents a ton lower rate, because that is what it would be more designed for; it is handled in bulk -- one ship, one load, one destination. Or, secondly, that it should be classified as domestic package freight.

Now, in winter we ship out through Port aux Basques if we are closed. Any shipments there, going to the United States, are classified as domestic shipments and we get charged a higher rate by the C.N.R. When we do it by water and it is to the government agency they charge us a higher rate



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on that. So we feel we are being severely penalized
by what should be a great national development.



COMMISSIONER MANN: I think you and I are acquainted with this problem. When you ship to Windsor, what kind of an assessment do you get?

MR. BALLOCH: We would get assessed, as I understand it, the domestic package freight.

COMMISSIONER MANN: And when you ship to Detroit, across the river, you pay twice as much?

MR. BALLOCH: That is right.

COMMISSIONER MANN: And the same holds true for Sault St. Marie, Michigan, and Sault St. Marie, Ontario?

MR. BALLOCH: That is right.

COMMISSIONER MANN: And it holds true for Sarnia and Port Huron. I am just mentioning those pairs of cities.

Now, you realize, I am sure, that the definition of bulk cargo is taken from the Transport Act of 1938, they are identical?

MR. BALLOCH: Yes.

COMMISSIONER MANN: Now, we understand that the Seaway tolls authorities in both countries follow this definition. Now, you brought this matter up last August, I believe, before the Seaway Tolls Committee without success. Since then, Mr. Balloch, there has been established a Seaway tolls - I am putting it in my terminology there - which is a reviewing committee, to which representations may be made concerning that matter. Now, since our Halifax



hearings, and I don't know whether to say inequity or iniquity, but at any rate representations may be made concerning any distortions in the structure; have you made such representations?

MR. BALLOCH: They are being made both by our company and by the Industrial Association and I believe by our custom organization in the United States.

COMMISSIONER MANN: Thank you very much.

MR. COOPER: I am just wondering if Mr. Balloch has given anyone the quantities of shipments up the St. Lawrence Seaway?

MR. BALLOCH: It is stated in the brief. I think it is on page 2. I didn't go into it in detail. I am sorry I missed that. However, so long as it is in the brief.

THE ACTING CHAIRMAN: Well, thank you, Mr. Balloch; I don't know whether this is within our terms of reference or not, but we are certainly sympathetic and if we can help directly or indirectly as Her Majesty's Royal Commission, we will.

MR. BALLOCH: Thank you very much.

THE ACTING CHAIRMAN: I think we had better adjourn now until two thirty.

MR. HUNT: Mr. Breen, the President of the Longshoremen's Association, has asked that item 4 on the agenda, the independent supplementary brief, be taken as read.

THE ACTING CHAIRMAN: That being so, we will



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adjourn until three.

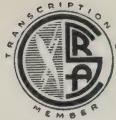
MR. COOPER: Item 4 is the Longshoremen's Protective Union, the independent supplementary brief.

THE ACTING CHAIRMAN: You may give it an exhibit number.

MR. COOPER: It will be the next exhibit, exhibit 43.

--- EXHIBIT NO. 43:

Independent supplementary brief
of the Longshoremen's Protective Union.



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SUBMISSION BY

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THE LONGHOREMEN'S PROTECTIVE UNION

APPEARANCES:

Mr. William F. Breen - President

MR. BREEN: 1. The Longshoremen's Protective Union is one of the older Unions active in the interests of the labouring classes in St. John's and its activities are more or less limited to Longshorework in the port of St. John's.

2. St. John's is a seaport town with a population of approximately sixty thousand people having a suburban population of twenty thousand additional. At one time it was the centre of trade and commerce within the Island and its prominence resulted from the particular development of the best industries and the mode and method in which this industry grew having its roots in a supply system made possible through suppliers who carried on wholesale and retail business in St. John's and which also used those avenues to promote fishing activities by supplying fishermen and receiving in exchange fish. The system was more or less a barter system though not exclusively so but ramifications of its activities supplied fishing localities known as outports which usually had their roots in St. John's.

3. With the growth of outport life and diversification of methods of earning power and production, the significance of the port of St. John's in the Island of Newfoundland has lessened; although, it is still of considerable relative importance.



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4. St. John's is not an industrial centre nor a manufacturing town and its sources of wealth and means of employment are provided through trade and commerce in that it is largely a distribution centre, and further, it is the centre of Government, and Government institutions are many and Government employment is large proportionally.

5. The Longshoremen's Protective Union has a membership in excess of fifteen hundred with an active employment at longshore work of one thousand union men who acquire through this avocation a total wage return annually of approximately two and one-half million dollars and this money directly supports from seven to eight thousand people and indirectly, the employment of these men is reflected in the weekly returns of small businesses and small suppliers such as grocers, and laterally in the returns of supermarkets. The earning power of Longshoremen is therefore, a factor worthy of serious consideration when one seeks to assess the economy of that locality and different Governments over the years quite apart from political significance, have recognized this importance and the need of assisting where possible to increase the employment of Longshoremen, fully recognizing that any diminution of employment has an immediate effect upon the city trade.

6. The Executive of the Longshoremen's Protective Union have read with concern the Brief of the Newfoundland Employer's Association Limited to the Royal



Commission on Transportation and it endorses the facts and the conclusions made by this Association with the added reason that anything which materially affects the shipping interests in the port of St. John's will also have an effect upon the earnings of members of our Union.

7. The Union cannot stress too greatly the peculiarity of the local situation and a living acquaintance with the circumstances of local conditions is essential for the proper estimation of our problem and the Union views with concern what appears to it as an attempt to utilize the weight and monopolistic advantage of such a unit as the Canadian National Railways to take from our shipping industry its trade thereby diminishing shipping in the port of St. John's and also thereby diminishing employment for members of our Union and members of other Unions covering associated activities.

8. The Union understands that the Railway does not operate at a profit and that money must be supplied this Crown Company in order that it may balance its budget and that this balancing to all appearances cannot be done by virtue of the normal earnings of the business. To be enabled to pay its way in this manner is a fortunate circumstance for the Canadian National Railways but it sets up the anomoly that Government money is used to enable a Crown Company to take away business from shipping interests in St. John's by the force and strength of money, part of which is contributed by the very business interests which it deprives





and the great advantage of this intolerable situation to the Canadian National Railways is the fact that whereas institutions such as the Canadian National Railways may operate at a deficit for periods and receive what amounts to a subsidy, the local companies competing with the Canadian National Railways must operate on a balanced budget. The necessity of a Government to intervene in the activities of trade and industry must be supported by strong and urgent facts continuous and as cogent in the future as they are today. It is conceded by all that the need for Government intervention by the creation of this great transportation system was such as to warrant Government intervention by the creation of a Crown Company, but those in control should not loose sight of those fundamental considerations which should continuously restrain activities of this kind, in its progressive growth and the possible resultant misuse of its weight, by force of preferences and of the accessability of easy money, more particularly when these several are made possible by a people and thereby a section of the people is adversely affected.

9. You have one railroad across Newfoundland. As yet there is not any means of transportation across Newfoundland other than by that Railroad. The Northern section of the Island is totally dependent on shipping; roads are few. The southern section of the Island from Fortune West to Port aux Basques is also dependent upon shipping. Roads are fewer. The sea always had an



overall influence upon the thinking and actions of people in Newfoundland. Through its important contributions were made by this country in those moments when the Empire was threatened during two wars. Your Union views the annual appearance of fishing vessels from Portugal and Spain to our shores and the French activities at St. Pierre and the importance which their Governments give to the development of many phases of the sea potential and the preservation of seamanship that it may continuously have such men available when their Dominions need them and as a consequent this Union submits that anything which can preserve the sea significance in Newfoundland is an important factor upon which even matters such as freight rates can have an important bearing.

10. There is, in process of development, an undertaking involving the expenditure of many millions of dollars and these moneys will be spent upon harbour improvements in the port of St. John's. These improvements are being effected by the Federal Government. An improvement of this kind was induced by the reason firstly that the port of St. John's and shipping interests generally including Longshore interests needed assistance and secondly by the conviction that an installation of modern facilities would induce further business to the Port of St. John's and thereby assisting it to regain, in part, its importance as a distribution centre; whereby shipping would be increased,



greater quantity of goods would be handled, more employment would be available to Longshoremen and more money would flow into trading circles in St. John's; but the prospects of that future picture must be impaired by the manipulation of bulk freights which would induce by lower rates and create unfair advantages. The port does not fear normal competition but it does fear privileges in the form of preferred rates. For the foregoing reasons and for those advanced in a more particular manner by the Newfoundland Employers Association who have at their disposal greater statistical detail it is submitted that you have in our presentation perhaps a minority claim but one which should not be overshadowed by the greatness and immensity of the unit which seeks to draw to itself the business which shipping has established and which is so essential to its survival to the earning power of Longshoremen and to the earning power of the City of St. John's.

THE ACTING CHAIRMAN: I understand that Mr. Johnson is very anxious to show us the City of St. John's. That being so, and I think with only one brief left, that we might adjourn now until 3.30. Does that agree with you, Mr. Hunt?

MR. HUNT: That is satisfactory.

--- Adjourned at 1.15 p.m. until 3.30 p.m.



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--- On resuming at 3.30 p.m.

THE ACTING CHAIRMAN: Come to order,
please.

I think for the record I should state that owing to the kindness of Mr. Johnson the Commission has been able to inspect the narrow-gauge railway and the rolling stock of the Canadian National Railways in the City of St. John's. We have also, Mr. Cooke, inspected the station and your surroundings down there, so we have done our duty in the hour that we have taken up.



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SUBMISSION OF

BLUE PETER STEAMSHIPS LIMITED
BOWRING BROTHERS LIMITED
FISHERY PRODUCTS LIMITED
FURNESS, WITHY & COMPANY, LIMITED
HARVEY STEAMSHIPS LIMITED
A. HARVEY & COMPANY LIMITED
LONGSHOREMEN'S PROTECTIVE UNION
MURRAY AGENCIES & TRANSPORT COMPANY LIMITED
NEWFOUNDLAND GREAT LAKES COMPANY LIMITED

Appearances:

Mr. Breen	President, Longshoremen's Protective Union
Mr. Crosby	Chairman, Steamship Section, Board of Trade
Mr. F. Russell	Blue Peter Steamships Limited
Mr. John Hickey	Furness, Withy & Company
Mr. H. G. Bussey	Harvey Steamships Limited
Mr. A. G. Ayr	A. Harvey & Company Limited
Mr. Treganze	Newfoundland Great Lakes Company Limited

THE ACTING CHAIRMAN: I think the next submission was to be by the steamship companies and the longshoremen's union. Mr. Hunt?

MR. HUNT: Thank you. If I may, Mr. Chairman, introduce some of the members of the group who have joined together to prepare this brief. There is first Mr. Breen, here on your left, the President of the Longshoremen's Protective Union; Mr. Crosby is the Chairman of the Steamship Section of the Board of Trade; Mr. F. Russell of Blue Peter



Steamships Limited; Mr. John Hickey of Furness, Withy & Company; Mr. H. G. Bussey of Harvey Steamships; Mr. A. G. Ayr of the A. Harvey & Company Limited, and Mr. Treganze of the Great Lakes.

All of these companies have joined together in this common brief.

With your permission, Mr. Chairman, I will read it into the record.

MR. COOPER: Mr. Chairman, this brief by the various steamship companies through the St. John's agents of these companies, will be Exhibit No. 44.

---EXHIBIT NO. 44: Submission submitted by various shipping companies.

MR. HUNT: Mr. Chairman, I would like to mention that this brief has been supported by the Newfoundland Board of Trade at a meeting held last Friday, and they endorsed the brief.

Part I - Introduction

This brief has been prepared by all the St. John's agents of shipping companies trading in St. John's, all St. John's ship owners, all St. John's waterfront owners who are involved in the shipping trade, and the Longshoremen's Protective Union. All persons connected with it are interested in the transportation of goods by water to St. John's and from their special knowledge of this trade they are convinced that any factor which will curtail it will create severe repercussions



in the economy of this province.

The brief is intended to demonstrate to the Commission how important the St. John's shipping industry is to Canada and particularly to this province. It will establish that because of subsidies paid to the C.N.R. and which are not available to ship operators and because of uneconomic rates set by C.N.R. through agreed charges this industry is now faced with the prospect of being forced out of existence.

Part II - Extent of Shipping Trade

Each year 250,000 tons of goods are loaded at Toronto, Hamilton and other Great Lakes ports, Montreal, Saint John, Halifax and Prince Edward Island into 22 vessels which employ approximately 500 men. These ships are unloaded at St. John's by longshoremen who would be totally unnecessary if the same goods were delivered by rail. The shipping operation makes it necessary for ships to be unloaded into sheds where the goods are picked up by the consignees while rail cars are left on sidings and the consignees get their goods direct from them.

The ships involved in the industry run on schedules with regular and prompt service and expedite delivery of all goods consigned by them.

The contribution of this industry to the economy of Canada, particularly Newfoundland, can probably be best shown under the following headings:



Wages Paid in St. John's:

It can be established that nearly ten per cent of the people of St. John's are directly dependent upon wages created by this industry for their livelihood.

The discharge of cargoes on the waterfront by longshoremen creates the largest private payroll in the city. Over two and one-half million dollars per year are paid to one thousand men who look to this employment as their sole means of earning a living. Besides these payments to stevedores there are at least 176 men employed full time with various commercial companies in St. John's in jobs created by this industry. If this tonnage were routed by rail this employment would absolutely vanish and would not be replaced by alternative jobs with C.N.R.

While it cannot be established that the 225 men who work with the 48 trucking companies in St. John's would necessarily lose their employment, as it is impossible to forecast what the result of an all-rail service would be to these companies, it is a fact that today approximately 50 per cent of the work of the truckers in St. John's arises from waterfront operations.

Corner Brook, Botwood, Bay Roberts and Bell Island would also be affected as each of these ports handles inbound cargo from scheduled carriers.

At this point I might say that these



additional ports handle over 50,000 tons, which means that the inbound cargo into Newfoundland is approximately 300,000 tons by C.N.R. and 300,000 tons by these scheduled lines, which means that this industry is as important to the transportation needs of Newfoundland as is the C.N.R.

St. John's Investment

The companies listed below are agents for the various ships in the St. John's trade. They have made substantial investments in their premises and the equipment used in them. Brief descriptions of them are as follows:

<u>Company</u>	<u>Area of Premises</u>		<u>Wharf Frontage</u>
	<u>Shed</u>	<u>Yard</u>	
	sq. ft.		
Furness Withy	64,902	27,000	487'
Harvey Steamships	85,000	128,000	960'
A. Harvey & Co.	42,670	40,000	347.4'
Murray Agencies	35,000	15,000	604'
Newfoundland Great Lakes	30,000	6,600	300'

These premises have an aggregate value of approximately \$3,500,000. Besides this investment construction has started on an estimated \$15 million extension of harbour facilities by the federal government which is undoubtedly being made on the assumption that it will be used by shipping concerns.



Investment of Ship Owners

The following companies operate vessels
between mainland and Newfoundland ports:

<u>Company</u>	<u>Ships</u>	<u>Deadweight Capacity (tons)</u>
Blue Peter Steamships	Blue Peter II	600
	Blue Cloud	425
	Blue Prince	450
	Blue Trader	800
Bowring Brothers Ltd	Algerine	550
Clarke Steamship Co.	Novaport	3475
	Gulfport	3430
	Highliner	3545
	Melrose	1380
	Edenwood	2280
Fishery Products Ltd	Zebrula	341
Furness Red Cross	Guernsey	1469
Furness,Withy & Co.	S.S.Newfoundland	6562
	S.S.Nova Scotia	6550
Gulf Northern	Fergus	700
Newfoundland-Canada Steamships	Belle Isle	1394
	Bedford II	716
	Fauvette	505
Newfoundland-Great Lakes	Dundee	2900
	Perth	1430
	London	875
	Gowrie	3100

These vessels were acquired for the new-
foundland trade and it is doubtful if the owners
could use them elsewhere.

Operations of Ships

The vessels employ approximately 500 trained
officers and seamen, many of whom are Canadians.
These men, together with the ships operated in
the trade would be essential in the event of a



national emergency. The shipping companies create large payrolls and make large purchases. It is estimated that besides the wages paid longshoremen in St. John's, there is an expenditure of over one and a half million dollars a year in this province by the operators who must spend similar amounts in other parts of Canada.

Other Benefits Arising from Industry

As was established by detailed evidence submitted to the Commission on Coasting Trade the existence of this shipping is absolutely necessary for the export of such Newfoundland products as fish, fish by-products, fluorspar, cement and gypsum.

It is the only means of direct transport of frozen fish to the Great Lakes; one vessel has transported forty million pounds of frozen fish to the midwest states during the last five years. This of course gives this industry an advantage over Icelandic and other foreign products and its absence would be a serious loss.

A most important factor to Newfoundland is the Furness Warren Line passenger service between St. John's and Halifax, Boston and Liverpool. This service, according again to evidence given before the Commission on Coasting Trade, could not be continued without freight between Halifax and St. John's and vice versa.



The service is necessary for the import of goods to Newfoundland when C.N.R. facilities are impaired by ice, snow, the elements, strikes, or a breakdown causing the William Carson to be laid up, and in this connection it must be remembered that rail service can be disrupted by storms both between Port aux Basques and Sydney and on the rail line across country.

Competitive Factor

It must be accepted that as far as can be seen at this time Newfoundland will not be served by trucks from central Canada and therefore the only possible competition to C.N.R. is water transportation. An atmosphere of healthy competition is natural to Canada and has been fostered wherever possible. It is obvious that the presence of steamship companies competing with each other and the C.N.R. will create the most efficient service possible.

Geographical Position

It has always been accepted that the water transport of goods has been more economical than the transport of them by rail. The Island of Newfoundland is far removed from the manufacturing areas of Canada but is dependent on them, Canadian farm produce and other products for its requirements. Ninety-five per cent of Newfoundland's needs are imported. All imports



must be carried by sea whether by C.N.R. ferry from North Sydney to Port aux Basques, and then by rail or by vessel from a mainland port nearer the point of origin than North Sydney to a Newfoundland port nearer the consignee than Port aux Basques. It is submitted that a direct water shipment or combination rail and water movement to a port in Newfoundland is a natural and more economical use of the facilities available than the longer rail haul. Historically, water has given more economical transportation than rail -- it does not appear reasonable that the advent of the St. Lawrence Seaway which was to foster Canadian trade should coincide with the disappearance of the shipping industry in St. John's.



Part III: Present Financial Position

Rates: It can be established that the rates of ship operators have been controlled by the tariffs of Canadian National Railway. Ordinarily this would have created no problem for the ship operators who could operate on lower rates than the railway. However, the income of the shipping companies is restricted to their earnings from the rates charged in their operations while the railway receives the following assistance:

- (a) A special subsidy paid by the Canadian Government for the transportation of goods as well as passengers and automobiles between Sydney and Port aux Basques and which amounted in 1958 to six million dollars;
- (b) Assistance under the provisions of the Maritime Freight Rates Act which result in a recapture from the Federal Government of approximately 30 per cent of the rate on traffic originating within the specified area;
- (c) The Federal Government subsidy payment which became effective on August 1st, 1959, and which reduced rates to Newfoundland by approximately six and one-half per cent;
- (d) Large capital expenditure by the Federal Government which in Sydney and Port aux



Basques have exceeded \$21,000,000.00 since Confederation; that includes the "William Carton"; the construction costs of the "William Carton".

- (e) Any deficits incurred in the Newfoundland operation which are made up from its operations elsewhere.

Even though transportation by water is not as expensive as transportation by rail the above factors are sufficient to obviate the difference between the costs of them. The result is that the ship operators are forced to maintain rates which are not profitable and which are not based on the true cost of rail transportation. Proof of this is the fact that since 1949 Saguenay Shipping, Gerald F. Murphy & Son Ltd., Montreal Shipping, Provincial Steamships Limited and Constantine Canadian Services have gone out of the trade. Blue Peter Steamships has abandoned its Montreal Service and Furness Red Cross has reduced its operations. All but one of the lines maintaining scheduled services to Newfoundland have stated that the returns of their operations at the present rates would make it impossible to replace the vessels used at today's building costs unless they can participate in the subsidies available to C.N.R. The only line which did not state this was Gulf Northern which was not approached as it is already in receipt of a subsidy



from the Federal Government as well as one from the Province of Prince Edward Island.

THE ACTING CHAIRMAN: That is the one we heard about this morning?

MR. HUNT: Yes, Mr. Chairman.

Agreed Charges

Agreed charges created under the procedure set out in the Transport Act, which bind the shippers to route as high as eighty to ninety per cent of their traffic by rail creates a serious threat to the shipping industry because they permit the railway which is already charging rates which are not based on the actual cost of handling traffic, to create an even more uneconomic level.

These agreed charges are increasing and it is conceivable that if they are continued or extended they will deprive the shipping industry of cargoes needed to continue their services.

If these rates which are made possible by federal subsidies are instrumental in forcing private companies out of business it will follow that when there is no competition they will be discontinued with the result that they do not create a permanent benefit to Newfoundland.

It is hoped that more detailed information will be filed with the Royal Commission when it sits in Newfoundland, in the meantime the Agreed Charges applicable to Newfoundland are as



follows:

CTC (AC) No. 59 - applying on canned fish from
Pacific Coast points.

CTC (AC) No. 70 - applying on Hardboard etc. from
New Westminster, B.C.

CTC (AC) No. 156 - applying on canned goods or
preserves from B.C. points.

CTC (AC) No. 355 - applying on margarine and lard
substitutes from Toronto, Ontario.

CTC (AC) No. 445 - applying on Household Products
and related articles (S.C.Johnson & Son) from Brantford, Ont.

CTC (AC) No. 501 - applying on linseed oil and other
commodities from Sarnia and Toronto.

CTC (AC) No. 545 - applying on sugar from Montreal,
Quebec.

CTC (AC) No. 553 - applying on sugar from Saint John,
N.B.

CTC (AC) No. 691 - applying on iron and steel articles
from Hamilton, Ontario.

CTC (AC) No. 903 - applying on Lever Brothers Products
from Toronto, Ontario.

Part IV - Facilities Available

As was mentioned earlier in this brief
the Federal Government has spent many millions
of dollars in facilities for rail traffic. Some
such expenditures were necessary to comply with the



Terms of Union and to give Newfoundland an adequate transportation system. However, it is submitted that a further expenditure to provide facilities for traffic which can be handled by the facilities now existing would be completely unnecessary and that for the most economic and efficient service all existing facilities should be utilized before additional ones are built.

PART V - Conclusions

This brief does not propose that the freight rates be increased. It is accepted that they must be kept to a minimum as the future of Newfoundland is dependent on cheap transportation. It does submit that the shipping industry is in jeopardy and cannot continue in business with rates at their present levels.

It submits that the industry is important to Canada and vital to Newfoundland, for the following reasons:

- (a) The moneys paid direct to stevedores in St. John's are essential to that city;
- (b) The investment in premises and ships should not be jeopardized;
- (c) Payments made by ship owners are an important part of the economy of Canada;
- (d) The crews and vessels would be necessary in case of a national emergency;
- (e) The factor of competition is essential in the Canadian economy;



- (f) The service is an efficient one which Newfoundland has always enjoyed and the loss of it could not be offset by railway service;
- (g) Proper utilization of present facilities could give maximum service with a minimum cost to the treasury.

And that it is essential that it continue in operation.

It is submitted that the industry can continue if the following, or some similar recommendations, are implemented:

- (a) Operators of ships trading between mainland Canada and Newfoundland should be permitted to participate in subsidies granted by the Federal Government to the extent required to enable them to maintain efficient services at the rates set by C.N.R. tariff.
- (b) C.N.R. should route sufficient traffic by ships so that the most efficient use of all existing facilities will result;
- (c) No facilities for additional rail traffic should be created by public funds when the traffic can be handled by existing shipping facilities;
- (d) C.N.R. should be restricted from giving uneconomic rates to compete against private companies when public funds will be paid towards continuing the service on



which the goods are routed.

Now, Mr. Chairman, if I may continue briefly, there are some points which arose in the submission of the Newfoundland Government which we believe corroborate our submission to you. You will remember that it was established that some 300,000 tons will pass through Sydney and Port aux Basques this year as against 65,000 tons in 1949. We do not have the figures for the volume of traffic which went through those two ports in the years intervening, but we do have Clarke Steamship submission filed with the Commission in Montreal, the amounts paid by the federal government to maintain this all-rail service.

MR. COOPER: The Clarke submission is Exhibit 5.

MR. HUNT: Just taking the year 1958, the year ending March 31, 1958, there was \$6 million spent to establish this all-rail movement. Cargo was taken from the cars at North Sydney, loaded into the "Carson" or another vessel and put into cars at Port aux Basques. The cost to the federal government, as we understand it, was \$6 million.

Now, at that time it does not appear that there was 300,000 tons going through that route as it apparently has built up to that this year. However, assuming there was a total of 300,000 tons,



that would mean that the federal government paid \$20 a ton for cargo going through North Sydney to Port aux Basques.

Now, the water carriers, their average return per ton from Montreal, to load onto ships at Montreal and deliver to consignees here is about \$25 a ton so it does seem there is room for a proper service to Newfoundland at a minimum cost to the Canadian taxpayer which, of course, is a most important factor. I think that point is very important to the steamship operators and probably the Secretary might be able to get information on it. We, unfortunately, have not got anything further than that.

At the same time it was stated as approximately only, but there was \$300 million worth of goods shipped through from the mainland of Canada to Newfoundland. That \$300 million would, we assume, be divided approximately half between the railways and half between the ships: they both take 300,000 tons each, and we have assumed approximately the same value which for \$150 million worth of goods going from North Sydney to Port aux Basques would cost the Canadian taxpayer \$6 million, and the trend is towards a larger amount going through Port aux Basques now, probably more than four per cent of the total cost of the goods coming here. We submit that there should be planning which could make most effective use of all the facilities to the route,



that there are steamships at the Great Lakes, Montreal, Saint John and Halifax, so Newfoundland would have a proper service and the cost of that service to the Canadian taxpayer will be a minimum.

Mr. Crosby is Chairman of the Shipping Section and if there are any questions there are various people here who can answer them, but perhaps they should be directed to Mr. Crosby.

THE ACTING CHAIRMAN: I see in your very last recommendation, Mr. Hunt, you say that the C.N.R. should be restricted from giving uneconomic rates to compete against the private companies. Are you suggesting that the agreed charges which are in force are not compensatory to the railway?

MR. HUNT: When you include that \$20 a ton from North Sydney to Port aux Basques, definitely not.

THE ACTING CHAIRMAN: To prove economical you introduce the principle of subsidies?

MR. HUNT: Yes, absolutely. We have no further information.

THE ACTING CHAIRMAN: Your quarrel is certainly with the principle of agreed charge; that is your main quarrel, is it?

MR. HUNT: Yes, sir. Actually, as mentioned, we did prepare a short addenda to the brief and we could read that in now.

THE ACTING CHAIRMAN: Yes, do that.



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MR. COOPER: That will be Exhibit 44-A.

---EXHIBIT NO. 44-A:

Addenda to Steamship
Companies' brief.



THE ACTING CHAIRMAN: What was 691, again?

MR. HUNT: June 29th, 1959.

THE ACTING CHAIRMAN: And 903?

MR. HUNT: October 26th, 1959.

THE ACTING CHAIRMAN: Now, I think these agreed charges run one after the other?

MR. HUNT: Yes.

THE ACTING CHAIRMAN: So that would mean that in the period from the 1st of July to October there had been 212 new agreed charges in Canada?

MR. HUNT: We have not information on the overall Canadian picture...

THE ACTING CHAIRMAN: But from those numbers?

MR. HUNT: Yes, from those numbers.

MR. COOPER: That should be "803" instead of "903".

THE ACTING CHAIRMAN: That is a misprint?

MR. COOPER: Yes.

THE ACTING CHAIRMAN: That would mean there were 112 in the period from July 1st to October?

MR. HUNT: Yes.

The people of St. John's who are interested in its waterfront expect further arrangements to be concluded from time to time with the result that the water service will be unable to compete and will consequently abandon the trade.

This is not on the paper, what I am saying now, but a large percentage of the goods



carried by the steamship operators are canned goods and there are a minimum number of items which, if the C.N.R. made agreed charges with various companies, it could put these companies completely out of business; and that is the fear of the Newfoundlanders who depend on the water for their living.

THE ACTING CHAIRMAN: Of these agreed charges named by you in the brief, which ones hit the steamships hardest? -

MR. COOPER: While Mr. Hunt is looking for that information, I am instructed that there are four other agreed charges which don't appear in the submission, and possibly they should be referred to at this time.

THE ACTING CHAIRMAN: Have you got the numbers?

MR. COOPER: Yes, I have, Mr. Chairman.

THE ACTING CHAIRMAN: Well, I think we should have them read into the record.

MR. COOPER: There is number 506, Calcium



Carbide from Shawinigan Falls. Falls.

THE ACTING CHAIRMAN: To St. John's?

MR. COOPER: I haven't that information.

THE ACTING CHAIRMAN: Just from Shawinigan Falls?

MR. COOPER: I think it is to Corner Brook.

Number 551 is glue, from Montreal to St. John's.

Number 776, explosives, Belle Isle to Millerton Junction.

Number 305, petroleum, from - I think it is to Sault Ste. Marie -- I am sorry, petroleum from Imperoyal; petroleum gas.

MR. HUNT: Thank you very much, Mr. Cooper.

THE ACTING CHAIRMAN: Isn't there one running out from St. John's as well?

COMMISSIONER MANN: Maybe I can help. I have a note of one for Lever Brothers Products from Toronto on the return. As you know, on the return, there is an agreed charge applicable on fish oil from St. John's to Toronto.

MR. HUNT: Actually, on these we got them from the files of the various steamship operators here, and they were applicable to St. John's; plus the one Mr. Mann mentions and the

THE ACTING CHAIRMAN: As you know, these agreed charges are for a year, or to be terminated on notice. Well, now, all these, including 59 which goes



back to 1953, are still in force. Do you know whether the rate under 59 is still the same as it was in 1953? Do you know whether there is a difference....

MR. HUNT: Not on 59. That particular one did not concern the group here.

THE ACTING CHAIRMAN: Well, take 70.

MR. HUNT: Well, 70....

THE ACTING CHAIRMAN: Well, that might not be.... Take 156.

MR. HUNT: Number 70 - the agreed charge rate is \$2.38 per 100 pounds, according to our information. That is our information as to the charge, but that is subject to correction.

THE ACTING CHAIRMAN: You see, Mr. Hunt, taking all the railway traffic, there was an erosion in respect of traffic which went at the agreed-charge rate - for instance, grains... but now you are getting erosion on normal traffic because of agreed charges. They are also eroding, and the balance that will be left - the balance of increases is constantly being narrowed.

I am not condemning the agreed charge, as such, at the moment, but I am indicating what the result is. You don't know which are the most important?

MR. HUNT: I have just had a quick chat with the shipping people here, Mr. Chairman. All of them - well, not all of them; we have iron and steel from Hamilton - are the two main ones - and 903.

The main fear of the shipping companies is



that these will be extended to a very narrow number of commodities - about 20 to 40 - which are absolutely necessary to the shipping companies to enable them to continue in business. It is the fear of the future more than the present.

THE ACTING CHAIRMAN: That is what you are concerned with - is your bread and butter?

MR. HUNT: Yes, the bread and butter.

THE ACTING CHAIRMAN: And all of these, you say, are really important to you now? They have a great deal of effect?

MR. HUNT: They have definitely a great deal of effect.

THE ACTING CHAIRMAN: You can see the problem that has been passed on to this Commission.

COMMISSIONER GOBEIL: You are private water carriers. You have had different rates - increased rates - since confederation; isn't that so.

MR. HUNT: Yes. I think each of the lines could answer that. I have Mr. Crosby who will be able to answer that, and then Mr. Hutchinson.

MR. CROSBY: Mr. Chairman, I am managing director of Murray Agencies and Transport Company Limited.

This is not an academic question for our company. There were two steamship lines before which ran to St. John's with a service from the mainland. The first line was Constantine Canadian which started in 1953. We built our premises in that year to accommo-



date that line and spent some \$200,000.00 in putting in a wharf.

In 1953 the revenue per ton which this steamship line got - I have taken a figure of \$20.00, but I can furnish you with the actual rate, if you wish, later on - but on the basis of 1953 that rate per ton was \$20.00; in 1954, when the competitive water rate was introduced, there was a drop in revenue of \$5.93 per ton. That was in 1954, from the rate they were getting in 1953. In the third year they were in operation it had only dropped below to \$4.08. In the fourth year of operation, 1956, the difference, again, of the premier rate was \$2.12; and in 1957, the last year they operated, the difference was just \$1.88 below what they were getting in the first year they started in operation.

As I understand it, in 1953, when they started, the water competitive rate was not in existence, but they were carrying the freight somewhat below the C.N.R. I am fully satisfied if they had been able to maintain the same revenue per ton in the years they were in operation as they got in the first year their company would still be in business today. They never could get back the 1953 rate. Even although the difference was only \$1.88 some of the difference was based on the fact that they had themselves well-established by that time and they were in a position to select better class cargo. I don't think the \$1.88 was a true figure of what it was compared to 1953.



COMMISSIONER MANN: Constantine operated from where?

MR. CROSBY: From Toronto and Hamilton, through the Great Lakes to St. John's.

COMMISSIONER MANN: Thank you very much.

MR. CROSBY: And Montreal.

COMMISSIONER MANN: That is the point I wanted. You and I know that water competitive rates do not apply from Montreal.

MR. CROSBY: That is right.

COMMISSIONER MANN: They only apply from, roughly, Kingston west?

MR. CROSBY: Yes.

COMMISSIONER MANN: So that any traffic originating east of Kingston would not be affected by the water competitive rate.

MR. CROSBY: The main bases were Hamilton and Toronto, but their ships were too large for the locks. They were taken and put into dry dock and 12 feet was taken from the bottom of the ships. They couldn't fully load in the lakes and they started stopping in Montreal to top up in cargo.

COMMISSIONER MANN: They wouldn't have that trouble today with the St. Lawrence Seaway.

MR. CROSBY: No.

THE ACTING CHAIRMAN: Just for the record, are your water rates regulated by anybody?

MR. CROSBY: No. In 1953, so far as I am aware, Constantine introduced a rate which, they felt,



was competitive with the rate they were running against, which was Newfoundland Great Lakes; but certainly from 1954....

THE ACTING CHAIRMAN: That is, you make your own arrangements and your own rates?

MR. CROSBY: Yes.

THE ACTING CHAIRMAN: Each line?

MR. CROSBY: Yes, so far as I know.

THE ACTING CHAIRMAN: There wouldn't be, and couldn't be, any combine of any kind?

MR. CROSBY: Not to my personal knowledge.

MR. HUNT: Mr. Hutchinson wishes to speak briefly on this question.

THE ACTING CHAIRMAN: Yes.

MR. HUTCHINSON: I would like to answer Mr. Mann's question of this morning on the rate on potatoes between St. John's and Halifax. The rate is \$1.05 per 100, which is a commodity rate. I may go further and say that the rate does not matter too much. They would no doubt be getting potatoes which would originate somewhere by rail.

Coming back to the question by Mr. Gobeil, I would say that while the steamship companies haven't taken advantage here of the increased rates, our experience in the trade, going back to 1944/45, is that it would seem the overall increase on our earning is about 15 per cent.

THE ACTING CHAIRMAN: That is to say, then,



from 1949?

MR. HUTCHINSON: No, I wouldn't go that far back. In 1949 the steamship rates to Newfoundland were reduced. The impact of Confederation on the railway rates reduced the steamship rates which were in existence by 14 to 16 per cent, depending on the commodities involved; and at that time the structure of the steamship tariff was changed to be more in line with the railway tariff and involved competitive rates based on their formula rather than normal steamship practice.



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THE ACTING CHAIRMAN: Have water rates, in your belief, followed rail rates?

MR. HUTCHINSON: Since 1949, yes.

THE ACTING CHAIRMAN: With the increases granted by the Board of Transport, it has been a factor?

MR. HUTCHINSON: Definitely. There was a suppression of rates in 1949 and an increase from 1949 to 1950. If I remember correctly, there was a rate base in 1951 which I believe Newfoundland - the rates would be depressed again in 1951, and since then we have taken advantage where we could.

THE ACTING CHAIRMAN: I suppose fixing your rates, while you are not regulated by anybody, you proceed on the basis of what the traffic will bear?

MR. HUTCHINSON: More or less. While we are not regulated in one sense, I believe the C.N.R. is -

THE ACTING CHAIRMAN: I think so, yes. Thank you.

COMMISSIONER GOBEIL: Would you say the number was extended since 1949 as compared to now?

MR. HUTCHINSON: The percentage of the traffic?

COMMISSIONER GOBEIL: Yes, or is it about the same percentage which you were carrying



in 1949?

MR. HUTCHINSON: In 1949 there was a startling change in the sense that the purchasing of merchandise shifted very radically from the United States and the other ports of the world to the Dominion of Canada, and the lines that operated from Montreal and Halifax certainly participated in the increased volume of purchasing; therefore, I would suggest that since 1949 our volume has been greater overall than it was prior to 1949.

THE ACTING CHAIRMAN: But your percentage on the whole was not great?

MR. HUTCHINSON: Speaking of water carriers as a whole I would say yes, the water carriers as a whole coming in from Canadian ports to Newfoundland presently carry 50 per cent of the package freight, and prior to 1949 the New York service contributed very heavily to the carriage from U.S. points to Newfoundland, and I would think - I am not sure - more merchandise moved from other parts in the world.

THE ACTING CHAIRMAN: Well, was the effect of Confederation to have the U.K. and New York connections cut off?

MR. HUTCHINSON: I didn't hear that, sir.

THE ACTING CHAIRMAN: Was the effect



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of Confederation to have the U.K. and American services discontinued?

MR. HUTCHINSON: No. The U.K. and American services over the years have perhaps decreased to a certain extent. It was mentioned, I think, that Furness have reduced their service, but I think that Mr. Hickey from Furness Withy could answer that better than I could.

MR. HICKEY: My name is John A. Hickey, manager of Furness Withy, and I say that since Confederation the trend has altered quite a lot insofar as imports from the United Kingdom are concerned. Previous to that St. John's used to be the principal port when the Furness line service was operated from Liverpool to St. John's, Halifax and Boston, and all the imports coming to St. John's were - all the cargo to St. John's was mostly for St. John's, and then a small portion of the cargoes would be on board for Halifax and Boston. Now, since Confederation it is about equal; in some voyages you get about half, perhaps a little more for St. John's than Halifax, but the three ports are about evenly divided now.

THE ACTING CHAIRMAN: You still have the service?

MR. HICKEY: Yes, but we haven't any service on the way back.

THE ACTING CHAIRMAN: No return cargo?



MR. HICKEY: No return cargo.

MR. HUNT: I think he means from Halifax to St. John's on the return trip.

MR. HICKEY: Yes. There are some in the winter time, you will have some return cargo, but during the summer months the cargo from Halifax is always negligible.

THE ACTING CHAIRMAN: Thank you.

COMMISSIONER MANN: Mr. Hunt, would it be correct to say that the only competition which the railways have on traffic from the Mainland of Canada to Newfoundland is as provided by your clients; there would be no other competition to speak of?

MR. HUNT: Yes.

COMMISSIONER MANN: So any competition would be due to the competition, and solely to the competition of your clients?

MR. HUNT: Yes.

COMMISSIONER MANN: On page 5 of your Submission you have a statement immediately preceding part III which says, "it does not appear reasonable that the advent of the St. Lawrence Seaway which was to foster Canadian trade should coincide with the disappearance of the shipping industry in St. John's." Now, I am merely assuming that that is coinciding; there is no cause and effect relationship?

MR. HUNT: No, no cause and effect



relationship.

COMMISSIONER MANN: Now, I want to repeat something, Mr. Hunt, if you will bear with me, that I did in Montreal when the Clarke Steamships excellent submission was given to us.

Now, I am referring to Section (b) where it says, "assistance under the provisions of the Maritime Freight Rates Act which results in a recapture from the Federal Government of approximately 30 per cent of the rate on traffic originating within the specified area:"

This, as I am sure you know, is perhaps a bit of a statement that is too general; 30 per cent only applies to that part of the whole which lies within a select territory?

MR. HUNT: Yes.

COMMISSIONER MANN: So that this statement would have to be modified?

MR. HUNT: Yes.

COMMISSIONER MANN: Now, under (c) in the same listing, the subsidy which became payable under the Freight Rates Reduction Act doesn't apply, as we know, to all rates to Newfoundland, it doesn't apply to the summer competitive rates or any of the agreed charges that you have enumerated.

Now, I was most interested, Mr. Hunt, in the statements which you make on page 6 with regard



to agreed charges. Would it be the recommendation of your clients that agreed charges should be abolished?

MR. HUNT: Well, sir, we don't propose anything which would increase the rates to Newfoundland. We do say, however, that the C.N.R. have been able to institute agreed charges uneconomically without having regard to the real cause. The shippers cannot meet these charges; it is below their proper rates to meet these charges. Therefore, as this trade is essential to Newfoundland, and particularly St. John's, we say that 10 per cent of the population of St. John's would be affected and that in the interests of proper transportation facilities we say that the steamship companies be permitted the same federal aid as the railway has used in order to be able to institute the terms.

THE ACTING CHAIRMAN: In short what you say is this; the railways must be allowed to live, but you have the right to be allowed to live, too?

MR. HUNT: Yes.

THE ACTING CHAIRMAN: In short, that is what you say?

MR. HUNT: Yes.

THE ACTING CHAIRMAN: You recognize that they have competition and you think that they should so recognize you?



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MR. HUNT: Yes.

COMMISSIONER MANN: I think perhaps it is not in the brief, but there are two ways of dealing with this; I suppose one way is that you cut out all the subsidies that are now being paid to Canadian National and that you have listed, and the other way would be -

THE ACTING CHAIRMAN: You might cut out the C.N.!

COMMISSIONER MANN: That would be an impossibility. The other thing would be you pay similar subsidies to the water carriers?

MR. HUNT: Yes.

MR. CROSBY: I think we should point out in speaking of the agreed charges, that you should take the summer competitive rate and give it to the company all the year around. The steamship companies can only give service about eight months out of the year so we are always at a disadvantage; we can't go back and offer a better rate because we can't give it to any company for twelve months, we can only give it for the shipping season.

COMMISSIONER MANN: We are making no recommendation on agreed charges.

MR. CROSBY: They can protect our interests.

THE ACTING CHAIRMAN: Not so much that



you want them abolished, but you want some modification; I think that is right.

MR. HUNT: Yes, so that the shipping companies can offer the same rates and stay in business.

COMMISSIONER PLATT: On the last page, recommendation number (b) you say, "C.N.R. should route sufficient traffic by ships so that the most efficient use of all existing facilities will result;" now, that seems to me to be an eminently sensible statement. Has this been discussed at all with the railway companies, or what is your opinion as to whether or not something could be worked out?

MR. HUNT: I think we have, from the Clarke submission in Montreal; in 1955, \$2,200,000 was paid by the Federal Government for this all rail movement at Sydney, and in 1956 it was \$2,400,000; 1957, \$5,400,000; 1958, \$6,000,000, and we presume that each year there has been an increase in the goods going through Sydney to Port-aux-Basques and that every additional ton that goes through there will attract money from the Federal Government in order to have that all rail movement. Now, we realize that there are some fixed charges there and it is to an economical point where there should be no less go through, but if the steamships and the C.N.R. could sit down and



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arrange shipments from Mainland ports to St. John's, Corner Brook, Bothwood and the other various shipping centres it would be to the benefit of the Canadian taxpayer and keep this very much needed industry in existence. Now, as to whether approaches have been made, you will have to ask the actual operator.



MR. HUTCHINSON: I think from time to time the steamship operators operated more or less with the railroads and have made suggestions along those lines. In 1949, 1950 and 1951 I think considerable traffic was diverted from the Canadian National to the steamship operators at Halifax to St. John's for distributions. As the years have gone by, it is my understanding that the traffic has become less and less. I still think the flow is there, there is still C.N.R. traffic being diverted to the steamship operators. The operators feel that perhaps more of that traffic will eliminate certain steamship problems and improve - perhaps give a better and more economic service to Newfoundland.

THE ACTING CHAIRMAN: Anything more, Mr. Platt?

COMMISSIONER PLATT: No. You might sort of have an agreed charge with the railways for moving some of their material.

MR. HUTCHINSON: I was going to suggest an agreement to move that material. I think the economics have been set up, but it should be utilized more fully.

MR. COOPER: Just one question. I refer to page 8 of the brief and recommendation A that operators of ships trading between mainland Canada and Newfoundland should be permitted to participate in subsidies granted by the federal government to the extent required to enable them to maintain efficient service at the rates set by the C.N.R. tariff. As I understand, that recommendation did not necessarily mean that subsidies be granted to



the steamship operators to the full extent that they are granted to the C.N.R.?

MR. HUNT: No, we expect the water transportation is probably cheaper and we do not expect the federal government to subsidize us so we can undercut the C.N.R.

MR. COOPER: Has any calculation been made under present rates as to how much money would be required in the form of subsidies to the steamship operators? In other words, how much would the implementation of recommendation A cost at the moment?

MR. HUNT: We think it would save by reason of these monies paid from North Sydney to Port aux Basques but no study has been made.

MR. COOPER: It might save in one sense, but unfortunately it would be a subsidy going to the steamship operators. Perhaps my question should be what would be the amount of the subsidy if paid to the steamship operators under present rates?

MR. HUNT: No study has been made.

COMMISSIONER PLATT: If I understand correctly what you are proposing would not have the effect of reducing the present rates nor increasing the present rates so far as shippers are concerned.

MR. HUNT: There have been submissions made by the Newfoundland Government which we do not oppose. If, as a result of the hearings here this Board recommended that there be all-year water or summer competition rates instituted there would be a return to our sub-



mission for us only to be able to compete at the same rates as the C.N.R. publish. Now, if this Board should recommend them to be less we would naturally require more assistance than if they kept them as they are.

MR. BOYD: It could only be of benefit to the shippers.

MR. HUNT: Yes, to the shipper, the Canadian tax payers and we say it would improve the service.

MR. BOYD: The word "uneconomic" is used several places throughout the brief and on the last page, page 8 "Uneconomic Rates", is that intended to refer to rates other than agreed charges?

MR. HUNT: Not essentially. Possibly some competitive rates - we don't know whether your rates are uneconomic or not, but we suspect they are not and it was intended in that particular sentence to apply to agreed charges only.

MR. BOYD: You are aware the rates prescribed were put in effect by the Board of Transport Commissioners of Canada in 1951?

MR. HUNT: Yes.

MR. BOYD: It is not voluntarily on our part. I understand that all the shipping companies now operating are right as listed on page 2?

MR. HUNT: No. On page 2 is the Newfoundland offices of those - the part of Furness Withy that prepared this brief is the St. John's office only.



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MR. BOYD: I was wondering whether all these companies now operating were operating in 1949.

MR. HUNT: I am sorry it is not listed really as premise operators - there was no Gulf Northern at that time.

MR. BOYD: Newfoundland Great Lakes, were they operating?

MR. HUNT: They had just started about that time.

MR. BOYD: Getting back to agreed charges on pages 6 and 7, I think you said that two of the important ones were 691 and 803, the last ones on the list, so far as you were concerned? I do not say they are the only two, but those are two of them?

MR. HUNT: Yes, sir.

MR. BOYD: If you take the agreed charge itself were you aware it contained a clause whereby any general increase in freight rates authorized by the Board is carried forward into the agreed charge after the lapse of one year.

MR. HUNT: No sir. 691 we understand in the last ten years - no, we were not aware of that.

MR. BOYD: Perhaps, Mr. Chairman, you have several times throughout the Maritimes hearings referred to agreed charges and the fact that on one occasion they were never changed.

THE ACTING CHAIRMAN: They have been changed by agreement.



MR. BOYD: I have just got this information and I am informed there are now 711 agreed charges in effect, that is as of October 31. Of that number 11 contain what we call a standard escalator clause, automatically the agreed charge is increased to the same extent as the general increase awarded by the Board.

THE ACTING CHAIRMAN: That is new, is it?

MR. BOYD: No sir. What is new is that there are 226 agreed charges which contain what they call the modified escalator clause and the modification consists of this, that the agreed charge will be increased pursuant to any general increase in freight rates authorized by the Board, but only after a lapse of one year from the signing of the agreed charge. They are guaranteed that level for one year and after that time they take the full proportion of the general increase.

COMMISSIONER MANN: Summarizing it then, I have done a little mathematics and out of the 711 474 do not contain any escalator clause whatsoever.

MR. BOYD: Yes, if you just subtract.

COMMISSIONER MANN: That is what I have done.

MR. BOYD: I am not clear, and it is probably my confusion as to whether there is any suggestion made that these agreed charges recapture the contribution under the Maritime Freight Rates Act.

MR. HUNT: We did not intend to allege there was a recapture.



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THE ACTING CHAIRMAN: Any more questions?

Thank you, Mr. Hunt, Mr. Crosby and you other gentlemen.

Is there anything further you want to add?

MR. HUTCHINSON: Mr. Chairman, there was some discussion took place in connection with delivery dates two or three times from Montreal and I was asked what the normal delivery time would be from Montreal to St. John's, Newfoundland. If perfect connections were made by steamer I would say freight deliveries, minimum 7 days, maximum 14 days, and it should average out to 8 to 10 days.

THE ACTING CHAIRMAN: Thank you. Now, is there anything further?

MR. ANDERSON: May I inform the public here that if they are interested in copies of the transcript of the hearings either in St. John's or any of the other places where the Commission sits they should arrange this through the reporters Angus Stonehouse & Company Limited. You will see the reporters here. They will arrange it for you.

THE ACTING CHAIRMAN: Well, if there are no further submissions to be made we will now come to the end of our hearing in St. John's. I can certainly say for myself and I know for the other members of the Commission that we enjoyed very much being in St. John's, hearing the submissions and learning of your problems. We had the great privilege of hearing your Premier and he has put the case for this province very well.



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Ours is a real problem as you will see. This last brief has brought into focus the thought that what may be one man's meat may be another man's poison on the agreed charge and yet we must have steamships, we must have railways and railways are absolutely essential to us. Now, that is the problem that we are confronted with as a Commission, and we will probably be damned whatever we do. However, we will do our best.

We stand adjourned now to meet on the 4th of December in the City of Ottawa. We have decided that the western tour will start at Winnipeg on the 8th of February. On the 8th of February we will expect the people of Manitoba to present their submissions to us and from there we will go on to other western capitals. Thank you very much.

--- Whereupon the hearing adjourned until December 4th in Ottawa, Ontario.

ROYAL COMMISSION
ON
TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Transport
Commissioners Offices, Ottawa, Ontario,
on the 4th day of December, 1959.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.
Mr. G. S. Cumming

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of The Honourable Mr.
C. P. McTague, Q.C., Mr. M. A.
MacPherson, Q.C., presided.



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and

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MEMORANDUM OF ERRATA
VOLUME 10
OTTAWA, DECEMBER 4, 1959

Page 1332 - Line 15:

Delete word "railway"; insert "roadway."

Page 1333 - Line 28:

After word "area" insert "In northern Quebec,
Manitouwadge".

Page 1334 - Line 5:

Delete "without".

Page 1339 - Line 24:

Delete "tough"; insert "truck".

Page 1347 - Line 4:

Insert after the word some "saving of".

Page 1349 - Line 14:

Delete "this" and the letter "a"; insert "as".

Page 1349 - Line 15:

After last word "with" add "later".



PRESENT:

A. D. McDonald J.W.G. Macdougall	}	Canadian National Railways
Ian Sinclair J. A. Wright	}	Canadian Pacific Railway Company
J. J. Frawley		Province of Alberta
R. A. MacKimmie S. H. Wood	}	Wheat Pools and United Grain Growers
A. W. Mauro		Province of Manitoba
Brian Dixon Alistair McGuigan	}	Northwest Line Elevators
C. W. Brazier		Province of B.C.
W. G. Doherty Hon. L. F. McIntosh Dr. G. Britnell Geo. Oliver	}	Province of Saskatchewan
F. D. Smith		Maritime Transportation Commission
F. R. Hume		Canadian Trucking Associations
R. H. McCurtcher		Saskatchewan Farmers Union
D. G. Blair		B.C. Lumber Manufacturers Consolidated Red Cedar Shingle Association Plywood Manufacturers Association of B.C.
Wm. MacDougall		Canadian National Millers Association
R. H. McNeill		Hudson's Bay Route Association



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-On commencing at 10.00 a.m.

Ottawa, Ontario,
Friday,
December 4, 1959

THE ACTING CHAIRMAN: Gentlemen, I regret exceedingly to say that our Chairman, the Honourable Mr. McTague, will not be here. Mr. McTague had been ill but had improved and was looking forward to being here today. I spent an hour and a half with him in Toronto on Tuesday and he was looking forward to being here at this morning's session. However, he is not well, he is indisposed and will not be here today. I am simply pinch-hitting for him and will try to carry on, keeping in mind what we think is our duty in that regard.

Before we proceed we might have the Secretary read that part of the Terms of Reference which indicates what our powers and duties and responsibilities are.

THE SECRETARY: The Committee of the Privy Council have had before them a report from The Right Honourable John G. Diefenbaker, the Prime Minister, stating that it is in the national interest that a comprehensive and careful inquiry be made with all reasonable despatch into problems relating to railway transportation in Canada and the possibility of removing or alleviating inequities in the freight rates structure.

The Committee, therefore, on the recommendation of the Prime Minister, advise that

Herbert Anscomb, Victoria

Archibald H. Balch, Ottawa

Rene Gobeil, Quebec

M. A. MacPherson, Sr., Regina

Howard Mann, Moncton

Honourable Charles P. McTague, Toronto

Arnold Platt, Lethbridge



be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend solutions thereto, and in particular without restricting the generality of the foregoing, the Commission shall consider and report upon:

- (a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;
- (b) the obligations and limitations imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom;
- (c) the possibilities of achieving more economical and efficient railway transportation;
- (d) whether, and to what extent, the Railway Act should specify what assets and earnings of railway companies in businesses and investments other than railways should be taken into account in establishing freight rates; and
- (e) such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry.

The Committee further advise:

1. That the scope of this Commission shall not extend to the performance of functions



which under the Railway Act are within the exclusive jurisdiction of the Board of Transport Commissioners;

amongst other things.

THE ACTING CHAIRMAN: Now, before we get down to work perhaps we should determine the hours of work -- I mean the hours of work here, not elsewhere. I know there is work going on elsewhere than here. Would it be satisfactory if we met from ten to twelve and two to four? Would those hours be satisfactory to counsel?

MR. McDONALD: Eminently satisfactory, sir.

THE ACTING CHAIRMAN: Then, we plan to sit tomorrow because on Tuesday morning next in this court room there is a sitting of the Board of Transport Commissioners. We have no intention of sitting every Saturday but by virtue of the fact that there is a half day off next week then I think we should sit tomorrow morning. Perhaps we will sit from two o'clock to five on Tuesday. Would that be satisfactory?

MR. McDONALD: Quite all right, sir.

THE ACTING CHAIRMAN: Now, under the Terms of Reference we are to investigate inequities in the freight rates or what has been called by somebody in the Maritimes "iniquities". Now, there are probably many of them but the one that was discussed first in our previous meeting was that of statutory rates. Mr. Sinclair was given the responsibility of leading evidence in connection with that particular thing, what he alleged was an iniquity -- he used the term "alleged" in connection



with "iniquities". Are you ready now, Mr.Sinclair, to proceed?

MR. SINCLAIR: Perhaps my friend Mr.McDonald?

MR. MacKIMMIE: Mr. Chairman, before the Commission calls on the railways to make their presentation, at this stage of the hearings I have instructions from my clients to make a motion. I wonder if the Commission will hear me now?

THE ACTING CHAIRMAN: We will be glad to.

MR. MacKIMMIE: I have been instructed by the presidents of the three western pools and the United Grain Growers specifically to make a motion this morning on this phase of the hearings ---

THE ACTING CHAIRMAN: May I interrupt you, Mr. MacKimmie? This, of course, is a court room and while we are here we should not smoke. At the end of each hour we will take about five or ten minutes to have a smoke.

MR. MacKIMMIE: My instructions were to the effect that while making the motion I should explain the position of these organizations to the Commission and the reasons why it is made.

My clients feel that while a cost analysis for export grain, grain moving under statutory rates, might well be segregated from other movements, the segregation as far as we are concerned certainly terminated there. It is our view that we have a full appreciation of the effect of moving grain within the scope of the inquiry as the Secretary read "the problems relating to railway transportation in Canada and causes thereof and recommend solutions



thereto."

In order to fit the statutory grain rates into that general problem it is much to be desired, as far as my clients are concerned, Mr. Chairman, very necessary that other important information concerning railway operations be considered at the same time if indeed they be problems of a similar character.

Now, Mr. Chairman, my clients have been served with exhibits, prices, for this stage of the hearing by the Railway Companies. Our appraisal and assessment of those exhibits, in a nutshell, is that they amount to nothing more than a straight profit and loss account of moving Canada's export grain. Of course, what is much, much more disturbing to my clients is that there is one solution, no recognition of other problems, and that solution is tied directly to the Crow's Nest grain.

The emphasis was made, particularly by the C.P.R., that there be no misunderstanding; this is a subsidy to western agriculture for a preferred position and not a subsidy for the railways.

Now, when the Commission last September in our organizational meeting decided to hear the Crow's Nest rates I must say for my part I was thinking of the costing analysis of that movement but never expected that it would be divorced entirely from other similar types of railway problems in Canada, at least as far as the solution that was offered would be concerned.

I think, Mr. Chairman, today at this stage of the hearing it is very necessary and essential



that our vision be a little broader, that we not just put blinkers on to look at a profit and loss statement on moving grain. I recognized we were going to look at the costing of this grain but I did not assume in September, in spite of Mr. Sinclair saying this is the only inequity, and Mr. Sinclair and Mr. McDonald said it was the only one -- I did not think we were being placed in this cul de sac in which we now find ourselves and not be permitted to look into other similar rates.

Now, whether it be the design or not I know not, and I certainly do not charge, but the effect is if this stage of the hearing be restricted to merely a profit and loss accounting in the movement of grain the effect would be to have shippers, and, in fact, the people of Canada, think that the Crow's Nest rates are the only ill and the healing of it would be a complete cure to all the railway problems in Canada.

MR. SINCLAIR: That is my submission.

MR. MacKIMMIE: Mr. Chairman, I am sure you will listen to Mr. Sinclair and he will have every opportunity to be heard.

MR. SINCLAIR: I was just assisting.

MR. MacKIMMIE: Well, you will be heard.

MR. SINCLAIR: I was addressing the Bench.

THE ACTING CHAIRMAN: I think Mr. MacKimmie is just providing a background for his motion at the moment.

MR. MacKIMMIE: Yes. With your permission I might say I have specific instructions from



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the presidents of these companies and I think the Commission will understand that is the purpose for which I am making this statement. My clients have a two-fold purpose. First, if the railway companies were going to contend before this Commission that the statutory rates were not compensatory we should be offered an opportunity to fully test them and we could have testimony as to whether or not they were compensatory, and indeed there has been some progress made in that.



It is a Herculean task. I might say that we have had co-operation, and I hope we will continue to get it, along that line, but the main purpose, and the one I am instructed by my clients is of far greater importance, is that if there be other services rendered to sections of Canada, or some citizens of Canada, that are non-profitable and non-compensatory then we say any relief that this Commission may see fit to recommend, or any solution the Government might suggest, should not be made directly against the one shipper so that he will be pointed out as being the arch-villain. We submit that the consequences of any solution should be spread over and applied to everybody if there be these other non-compensatory services.

We feel very keenly, sir, that to point the finger at just one class of shipper who may be provided with an unprofitable service will put the whole of this inquiry out of its perspective, as far as we are concerned, in the general terms of the inquiry. We feel some of the other non-paying or marginal operations should be made part of this stage of the inquiry, and I speak first, Mr. Chairman, of the passenger deficits. I do not think my learned friends will deny there have been substantial deficits in this particular service, but I am not going to speak on whether the railway operations are sound or not. They may very well be in the national interest. It may be necessary to have four daily trans-continental trains going to places like Sudbury and other non-productive areas. It may be necessary to have the trains running down both sides of the river from



Kamloops to Vancouver. There may be overlapping of present services for very good reasons, and, again, I do not quarrel with the idea that it may very well be in the national interest to have it. It was reported in the press not long ago that somebody in the railways had said that it may be cheaper to pay passengers money rather than try to run a dining car service. That may be the answer; I do not know. But, the point of these grain organizations is that it is in the national interest of Canada to provide that service, and if it is in a deficit position than any relief that is given should be spread over that type of service, too.

Now, the Canadian Pacific Railway says: "Look, Mr. MacKimmie, we do not include any passenger deficits in our cost study". While that may be an answer, Mr. Chairman, to the straight profit and loss accounting approach that has been taken it certainly is no answer to the major problem, as I see it, because it is a type of service which is offered to the citizens of Canada on which there is a deficiency.

There is the whole subject of branch line operations. A number of branch lines are operating in this country. Which ones are losing money, and which ones are paying money? My clients will be the first to say that some of those operations may be necessary to serve the unproductive and under-populated areas of Canada. It may be a necessary thing, but it may be a losing thing. However, it is a service which is given to a segment of the



population, and should be looked into. If that be so I see no reason why they equally should not be a part of this. They contribute to railway operations in Canada.

I want to see, too, sir, the total volume of freight moved on eastern and western lines, and I want to compare it to the revenue obtained. I want that for this purpose, sir; I want to see what effect there is, as a railway problem of Canada, of the giving or granting of these agreed charges and competitive rates. The Railway Association of Canada, which I am sure, Mr. Chairman, you are familiar with, and the Turgeon Commission stated also, that there had to be competitive rates to meet other types of transportation, and that they lost at least \$50 million a year. That was the estimate. Again, that may be necessary, and if that be true then movements of a similar nature in other parts of this country where there is no competitive feature should be looked at. Surely, there must be some inadequacy, and if they lost that type of revenue then the railways would have to have some relief.

With respect to these matters which I have raised the railways might say, "Now, Mr. MacKimmie . . ." -

MR. SINCLAIR: Mr. Chairman, if he wants to know what the railways say why does he not make his motion --

THE ACTING CHAIRMAN: I think we will make more headway by allowing everybody to speak out.

MR. SINCLAIR: It has been 25 minutes.

THE ACTING CHAIRMAN: I do not think Mr.



MacKimmie will be unduly long.

MR. MacKIMMIE: I will not be much longer, Mr. Chairman. Whether they say it or not, nevertheless it could be said that this is a different category, and that all these other things are thrust upon the railways by virtue of competitive and economic factors whereas the Crow's Nest Pass rates are thrust upon the railways by statute. So far as my clients are concerned whatever may keep the lid on revenues, and whatever the fact may be, this still adds up to the same thing. If some ingenious man came along and invented a pipe line or a conveyor belt to move Canadian grain it would be competition, but then, apparently, the competition would be all right and we would have no inequities in Canada.

All of these things we say, are necessary to give a complete picture, and to prevent -- this is of paramount importance, sir, and I cannot over emphasize it -- the Canadian public, and other shippers particularly, from falsely believing that the Western Canadian farmer is the sole and only cause of high freight rates in Canada. That would be the result if we are locked in in this particular manner and have nothing but these particular exhibits which are so restricted. If the groundwork is laid by the railway exhibits the solution that is offered is made that much more difficult because, as I appreciate it, it is directly tied to the Crow's Nest Pass grain rates. There is the income tax reduction to be asked for, and they will come before the Board of



Transport Commissioners annually to say whether the 100 per cent increase they want is enough. The practical effect so far as my clients are concerned is that annually we are going to have an inquiry into the Crow's Nest deficit. They are silent about these passenger deficits, and the deficits in the branch line service and all these other things, but we are annually to be before the Board of Transport Commissioners to defend this deficiency. I say with respect to a solution of this kind that it would be very naive to assume it would last for any length of time.

The final matter I have before I put the motion is that in the Terms of Reference, as I appreciate them, the Governor in Council at least suggested -- I will not say "directed" -- to this Commission that it look into what other assets and earnings which should be taken into account in establishing rates. The Canadian Pacific Railway says merely that you should not look into that, and, therefore, you do not look into it. I cannot see anything in the exhibits here that even suggest something of that nature. Whether in their wisdom they know more than the Governor in Council I do not know, but the Governor in Council, in any event, directed the Commission's attention to looking at these matters.

MR. SINCLAIR: I think you should state it correctly. We never took that position.

MR. MacKIMMIE: Now, Mr. Chairman, I am sure if they have not taken that position Mr. Sinclair will be glad to show me at the adjournment where --



MR. SINCLAIR: Perhaps you can refer me to where we do it. You made the statement.

MR. MacKIMMIE: My motion is this, Mr. Chairman -- and, as I say, I am not interested in details --

THE ACTING CHAIRMAN: Have you the motion in writing?

MR. MacKIMMIE: No, I have not, Mr. Chairman, but my motion is this; first, I want this Commission to direct that the railways file before we have the cross-examination on the cost phase of this hearing the complete story on passenger deficits. I want to know the total volume, and where the heaviest losses are. I want the complete story on branch line deficits, if there be any. I want to know where they are operating; where they are making money and where they are losing money. I want to see the total number of agreed charges and competitive rates. I want to know the volume moving under them. I want to know where, in the main, they are made -- where, geographically, they are made. I want to know the total number of those agreed charges and competitive rates that are subject to the horizontal increase.

I want to know what other assets and earnings the railways have from non-railway business and enterprises. These four things we require.

Now, Mr. Chairman, the lines have been drawn, and we are not going to be given this information except, as Mr. Sinclair said, in one positive case, and he will defend anything else. Since we do not run a railway there is no way by which we can find



out this information. Those things in that order I move we should have.

I also move, sir, that in the event of that information not being produced that this Commission neither receive evidence nor consider the solutions proposed, particularly by the Canadian Pacific Railway.

Mr. Chairman, Mr. Frawley I understand, has a motion for specific information. I might say, sir, that the Canadian Pacific and the Canadian National so far have been what they said they would be, namely, co-operative to my agents, but our transportation consultants have cost my clients some appreciable amount of money, and they say, "You cannot test a cost study without all the figures. You might as well not have it". Well, I have not any specific details, and the motion that is to be made by Mr. Frawley will be as to specific information.

Thank you, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Frawley, before you proceed I think I should tell those here that counsel for the Commission is Mr. Cooper of Halifax, and his associate is Mr. Cumming of Vancouver. We would appreciate it if any request you may have for assistance, or any advice, is made to them. They will be glad to help you in any way they can.

Yes, Mr. Frawley?

MR. FRAWLEY: Mr. Chairman and gentlemen of the Commission, Alberta and Manitoba have an application to make. I will begin, and my friend Mr. Mauro, will follow. This is an application to the



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Commission to have the railways instructed to furnish certain cost information. When we were before the Commission at the preliminary meeting I made an application for certain cost information. Mr. Sinclair indicated that it would be received, and the Commission reserved judgment, and that judgment is still reserved. I have no complaint to make in respect to that matter.

THE ACTING CHAIRMAN: I think your request was that it be further reserved.

MR. FRAWLEY: I requested that it be deferred and probably after you have heard me this morning you will realize that the matter has blown to a much larger and more important incidence in regard to the matters before this Commission than it was on the 18th September last. For that reason we ask that the decision be deferred.



As I say, Mr. Sinclair at that time said because it would disclose information to his competitors that he refused to direct his office to prepare it.

THE ACTING CHAIRMAN: Mr. Frawley, are you supporting Mr. MacKimmie's motion and making one of your own?

MR. FRAWLEY: I support wholeheartedly the application which Mr. MacKimmie has made, and will proceed to make one more detailed myself.

THE ACTING CHAIRMAN: I will ask the same question I asked of him. Is your application in writing?

MR. FRAWLEY: My application will have this advantage that I intend to put in the record some correspondence that has passed between myself and Mr. Sinclair.

Now, before I leave the meeting in September I think probably I should add one more thing. At that time on page 131 of the record Mr. MacKimmie had been talking about the passenger deficit.

MR. SINCLAIR: For clarification, I didn't hear Mr. Frawley's reply, whether he was speaking in support of Mr. MacKimmie's motion or on another motion.

THE ACTING CHAIRMAN: He said he supports the application wholeheartedly, and is making one of his own amplifying Mr. MacKimmie's. I think that is what he said.

MR. FRAWLEY: Perhaps you didn't hear me.

MR. SINCLAIR: I was wondering if we had two motions or one.

MR. FRAWLEY: Mr. MacKimmie was talking



about the passenger deficit and said that other aspects of the railways should be tied into the picture. Then:

"Mr. Sinclair: Passenger traffic will be right in that picture.

"The Chairman: What is that?

"Mr. Sinclair: I am trying to close this up. The passenger deficit factor is a factor which will be worked out as a part of this study, because it is a portion of that that goes over onto the undistributed costs."

He has had different instructions now, and it doesn't appear he wanted to make it clear at that time, and we were told that the passenger traffic deficit would be included as an item of expense in costing western grain.

To continue with my application, I certainly may as well tell Mr. Sinclair that I have to have a little bit of time to develop what I am going to say. I know my friend is anxious about it and now, perhaps, with that information he can relax.

In view of the action which the railways disclosed at that time, and having been faced with the attitude of the railways, that this was to them an investigation concerning the Crow's Nest freight rates and to find out their inadequacy and that it was the only one inequity in the freight rate structure; in view of that, Mr. Maura and myself went out to find consultants to discuss that serious situation with them.

We retained a consultant in Washington, and



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I will give you his name because this appears in the correspondence that I will file. It is Mr. Gilbert Parr, a well-known transportation consultant in Washington. We discussed with him the Terms of Reference and we discussed the decision in the 17 per cent case, the appeal, and the cabinet announcement that there was to be a thorough review of the freight rate structure in Canada and yet, as I said, the Terms of Reference that were handed down make no specific reference to the Crow's Nest Pass rates.

We were advised that if there was to be a thorough re-examination of the rate structure in Canada, a great deal more than the inadequate export grain rates must be dealt with.



It was pointed out to us that, just as the suspect grain rates were subjected to our searching cost analysis to determine how far short they fell of returning costs, so also must other suspect traffics be subjected to cost analysis.

The railways seek a subsidy to remedy the inadequacy of the export grain rates, to bring those rates up to full cost. We say that other rates like the grain rates which do not return full costs must be similarly cost analyzed to see what subsidy they need. In no other way can a clear picture be presented. The railway's way is to point the finger at Western agriculture. We disagree. So we say that if this Commission is to re-appraise the Canadian freight rate structure, not the export grain rates -- because, incidentally, there is no mention of export grain rates in the Terms of Reference -- are to be re-examined in the light of all the discussions which require 75 per cent of the last rate increase to be extracted from 32 per cent of the revenue -- and that was the revenue from the class rates and the non-competitive commodity rates, speaking generally, what might be called the captive traffic -- and with the international traffic the agreed charges and export grain rates going free from that increase -- if the rate structure is to be re-appraised in the context of those distortions -- and it is in that context that the Commission was set up -- then all the rates, those which failed to carry their fair share of the total costs and those which bear more than their fair share of total costs --



must be examined; and when I say examined, I mean costed.

In the light of that advice from our Consultant, Manitoba and Alberta sought to arrange a meeting between our consultants and Mr. Sinclair and his cost section. That could not be arranged, and I put no more blame upon Mr. Sinclair than upon our consultant; it just happened. Anyway, as time was pressing, I wrote a letter to Mr. Sinclair on the 27th of November. This letter was written on behalf of myself and Mr. Mauro, counsel for Manitoba. The letter is addressed to I.D. Sinclair, General Solicitor, Law Department, Canadian Pacific Railway Company, Windsor Station Building, Montreal.

"Dear Mr. Sinclair,

Re: Royal Commission on Transportation

With further reference to our several conversations regarding data which we consider must be developed and placed before the Commission to enable that body to make proper findings, I am giving below a brief outline of such needed information. This is the information with respect to which we have discussed the possibility of Mr. G.J. Parr conferring with you in Montreal. Such a meeting has been difficult to arrange because of your own and Mr. Parr's commitments.

1. Passenger revenues and the cost for providing the services.



"2. L.C.L. revenues and cost of providing the services.

3. The relationship of revenues to costs for:

- a) Export-import traffic;
- b) ex-lake coal traffic;
- c) petroleum traffic moving from Western Canadian refineries to various destinations;
- d) T.O.F.C. traffic;
- e) stop-off services;
- f) iron ore traffic;
- g) copper, lead and zinc derivatives traffic;
- h) agreed charges;
- i) gathering services on "other than grain" traffic; and
- j) branch line traffic, other than so-called grain branch line traffic.

The type of information which is necessary to make some intelligent appraisal of these matters requires as a minimum the furnishing of certain specific traffic patterns and operating characteristics data. This applies to all of the items shown above except passenger deficits where it may be necessary to request certain data supplementing the figures shown in your annual report. The type of information desired for all of the items



"listed above except passenger deficits,
follows:

Traffic Pattern:

1. Volume of movement.
2. Proportion of traffic moving single line and joint line.
3. Average length of haul.
4. Number of intermediate terminal handlings.
5. Proportion of haul in way train service.
6. Proportion of haul in through train service.
7. Present rate.
8. Rate prior to reduction, if any.

Operating Characteristics:

1. Average net load per car.
2. Average net load per train if train load rates are involved.
3. Type of car, tare weight and empty return haul of equipment.
4. Train weights in way train service and in through train service.
5. Type of switching at origin, i.e., yard or train switching and switching minutes per car if available.
6. Type of switching at destination, i.e., yard or train switching and switching minutes per car if available.
7. Special services performed, i.e., weighing, transits, etc.



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"There may be other movements which require further analysis and study. However, it is believed that the above items cover, to a large extent, the principal traffic movements with which the Commission should be informed to permit that body to make proper and reasonable findings concerning the whole freight rate structure including the Crow's Nest rates.

Yours very truly,

J. J. Frawley

c.c. - A.V. Mauro, Esq.

P.S. - This letter is written on Mr. Mauro's behalf as well as my own."

On the 3rd of December I received this letter from Mr. Sinclair dated December 2nd, addressed to J.J. Frawley, Esq., Q.C., 502 Victoria Building, Ottawa.

"Dear Sir:

Re: Royal Commission on Transportation.

I received your letter of the 27th November on the afternoon of the 30th.

I first wish to make it clear that in our telephone conversations you informed me that Mr. Parr was not engaged by you in connection with the statutory rates on grain issue. Furthermore, when you first suggested that Mr. Parr come to Montreal, I



"said that it would expedite dealing with your requests if you would let me have in advance a statement of what you thought you wanted. It was with considerable surprise therefore that I did not receive your letter until the 30th and then had it followed up by a telegram asking when the information would be available.

My surprise was not in any way lessened by the last paragraph of your letter in which you state that the information requested was for the Commission to '... be informed to permit that body to make proper and reasonable findings concerning the whole freight rate structure, including the Crow's Nest rates'. In my opinion this is wrong.

Request No. 1: 'Passenger revenues and the cost for providing the services'. No part of the passenger train service deficit has been charged to the cost of moving grain at statutory rates in Western Canada. It is our position, therefore, that passenger train services are irrelevant to the issue which is being considered by the Commission commencing on the 4th instant. Admittedly the situation would have been different if, as in most cost studies, a proportion of the passenger train service deficit was charged to the study traffic. However, my instructions were to take a different



"position in regard to the passenger train deficit as has been made clear in the Joint Submission of the railways which you have had since the middle of October last.

Request No. 2: 'L.C.L. revenues and costs of providing these services'. L.C.L. rates are under the jurisdiction of the Board of Transport Commissioners. As you are aware, such rates are subject to inquiry by that Board under special application or under general reviews which the Board conducts from time to time.

Unlike grain traffic, for example, the movement of L.C.L. traffic is not homogeneous, it is heterogeneous. Your request for overall revenues and expenses appears to have overlooked this basic fact. It also appears that Mr. Parr has overlooked the difference in the situation on Canadian Pacific in regard to L.C.L. traffic to that pertaining in the United States. In the United States L.C.L. traffic is carried at a deficit and a portion of the L.C.L. deficit is charged to carload freight traffic in cost studies. Cost of handling L.C.L. traffic was not charged to the grain traffic in the study. This point was also made clear in the precis.

Request No. 3: 'The relationship of revenues to costs for' the many traffic segments listed in your letter and data with



"respect to traffic pattern and operating characteristics in the detail set out on pages 2 and 3 of your letter.

Some of your requests are not clear to us. The specific segments vary from homogeneous movements to heterogeneous movements and your request could be interpreted as a request for costing hundreds of thousands of individual movements. The time required to do such a job would be years. The expense would be very great indeed and most important is the fact that the time and cost would be completely wasted as it is known that this traffic is remunerative and the revenues and their associated rates reflect practical rate-making decisions.

Furthermore, if your clients at any time wish to challenge the rates as being either too high or too low, all that is required is for your clients or yourself to drop a postcard to the Board of Transport Commissioners. Indeed, the rates on some of the traffic on which you now request information have been considered by the Board of Transport Commissioners in cases in which you appeared as counsel on behalf of your present client where you were given full opportunity to call evidence and make submission, contentions and arguments which



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"have been carefully weighed, considered and disposed of by the Board of Transport Commissioners in conjunction with their expert staff.

I am instructed on behalf of Canadian Pacific to assist the Commission in every possible way. I am also instructed to resist any attempt to delay the work of the Commission. Also, without specific direction from the Commission, my client will not produce figures which will adversely affect the competitive position of Canadian Pacific.

In view of the contents of your letter and wire I have sent copies of both, together with a copy of this letter, to the Secretary of the Royal Commission and to counsel for Canadian National Railways.

Yours truly,

cc: F. W. Anderson, Esq.

A. D. McDonald, Esq., Q.C.

Arthur V. Mauro, Esq."

Perhaps I should say that the telegram which I intended to get was simply a telegram which I wrote immediately after that letter in which I told Mr. Sinclair that I regretted overlooking not asking him when it would be available.

(Telegram produced by Mr. Sinclair).

MR. FRAWLEY: Thank you. This telegram is dated the 29th. That indicates that I was working



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Saturdays and Sundays.

THE ACTING CHAIRMAN: It augurs well when
Mr. Sinclair and Mr. Frawley co-operate.



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MR. FRAWLEY: This is a telegram which was sent over his own telegraph service describing I. D. Sinclair as central solicitor, C.P.R. I would go along with that:

"Reference my letter twenty-seventh November mailed to you Saturday. I overlooked asking you if letter was wired as early this week as possible advising how soon data requested could be furnished us."

Now, to comment briefly on Mr. Sinclair's letter with respect to the passenger deficit, we asked for information on passenger revenues and the cost of providing the service. We suspect -- we know that passenger services result in large annual deficits. As a matter of fact, out in western Canada the Canadian Pacific has just completed a hearing on an application in connection with discontinuing the train which runs from Winnipeg to Saskatoon and from Saskatoon to Edmonton and they have alleged that the cost is somewhere up around \$750,000 a year. That is on one line, so we know that passenger services result in large annual deficits. In that respect they are no better and no worse than the grain rates except the grain rates have not yet been proved to be a loss traffic.

Mr. Sinclair says "No, there will be no information on passenger deficits because we have left the passenger deficits out of our costing calculations in the grain rates case." But, it is not left out of the rest of the freight structure. It is still a burden on the freight shipper generally. The whole of the freight rate structure cannot be reappraised



without taking a searching look at the extent of the burden which the annual passenger deficit places on the shippers and without having some regard to what the remedy is for that large annual deficit. That is all I will say about that at this time.

THE ACTING CHAIRMAN: Is your position that the present statutory rate is compensatory?

MR. FRAWLEY: The present statutory grain rate yes. I say in the present state of our advice from our consultants we are quite unable to say it is not compensatory.

MR. SINCLAIR: Two negatives make positives.

THE ACTING CHAIRMAN: I take it you are putting the railways to the strict proof of the allegation?

MR. FRAWLEY: Oh, yes, indeed.

THE ACTING CHAIRMAN: To any compensatory features of the rate.

MR. FRAWLEY: That is right. We are just at the threshold of the investigation which we have undertaken to make with respect to this study which my friend's people took months and months to do. Perhaps some time Mr. Sinclair will tell us the number of man-hours because he always has that very handy. Perhaps he will tell us how long it took to do all the work. Only this morning I was sent some information to be sent to our consultants on the grain rates. I am talking about something else now; I am talking with respect to other data that has to be supplied in order to have the whole freight rate structure reappraised.

THE ACTING CHAIRMAN: You are saying if there



is anything wrong with statutory rates then there is something wrong with other segments of the structure as well?

MR. FRAWLEY: That is exactly what I am trying to say, perhaps in too many words.

The next one is the l.c.l. revenues and costs and that is another suspect traffic which is as much in need of aid as grain rates. Grain rates need a subsidy to bring them up -- why not l.c.l.? Mr. Sinclair says: "We have not charged the l.c.l. as against the grain rates so we won't go into that." That is not an answer to the position that I am taking now before this Commission. Surely we ask for costs as far as railways are concerned if there is a series of traffic as detailed in the letter which I read -- suspect traffic. We suspect that they do not return the full cost like the grain rates.

Now, in reply Mr. Sinclair raises the interesting question of homogeneity versus heterogeneity. I suppose that may be so. Probably they are justified in that because we say we want to know the cost with respect to the agreed charges. Of course, there is a world of agreed charges, long ones and short ones, in eastern Canada and western Canada, transcontinental to the Maritimes, all over Canada. But Mr. Sinclair did not say to me in a friendly way, a cooperative spirit, "these agreed charges are proposed --select some." He just simply says "We cannot do that." He shows no desire, no desire at all in so far as I can see, to cooperate with us. However, his real attitude is disclosed in that letter because he makes his attitude



clear when he says "If you are complaining about the rates on some of those traffics, drop a postcard to the Board of Transport Commissioners." I would like to think Mr. Sinclair perhaps regrets he put that in his letter.

MR. SINCLAIR: Not a bit.

MR. FRAWLEY: He makes it clear now to the Commission that he firmly regards, sincerely regards, the sole work of this Commission to be the costing and the determination of the inadequacy of the rates which move grain to export positions in western Canada. To Mr. Sinclair that is the be-all and the end-all of the Commission.

Mr. Sinclair concludes by saying that his clients will not produce figures that will adversely ---

THE ACTING CHAIRMAN: I do not think that is quite fair to Mr. Sinclair to go quite that far.

MR. FRAWLEY: Well, he has said, and he is on the record as saying that there was only one inequity to be investigated.

THE ACTING CHAIRMAN: Well, I think we told him -- I mentioned to him that he was probably oversimplifying the situation of railway problems at the time, but he mentioned, he emphasized -- the emphasis he put on statutory rates ---

MR. FRAWLEY: Yes, it may be that you did point that out to him but I recall what his attitude was. He said as to those matters: "We have a principle of just and reasonable rates and if you think there is anything wrong with the rates" -- that



is what he says in the letter again -- "if you think there is anything wrong with those rates, you allege they are wrong, go to the Board of Transport Commissioners under the Railway Act and endeavour to prove they are not just and reasonable." I think that is a fair summation of his attitude. He holds to that view and I hold to the contrary. This is a Royal Commission and we have to reappraise the Canadian freight rate structure, we have to find out why it was that 75 per cent of the loss from rate increase had to be taken from the captive traffic, 32 per cent of the revenue which, speaking by and large, was the captive traffic. That, in my respectful submission, is what the Commission was set up to do, to reappraise the freight rate structure, including the Crow's Nest rates.

I say this issue I am raising this morning must be faced. We think we should have the information which will show the cost-revenue relationship of all of this traffic.

What is important, Mr. Chairman, is that there can be no proper examination of the rate structure without such disclosure. Mr. Sinclair's railway may need a subsidy but if it does it will be because of the effect of all the details of the Canadian freight rate structure, not just the one of which he and the other railway complain. That is my position on behalf of the users of the railway who live and carry on business in Alberta.

If the Commission does not overrule the railways' refusal to supply us with the tools to



demonstrate what is wrong with the Canadian freight rate structure and the remedies to be applied, then we have no tools with which to work, to demonstrate, to assist the Commission with what is wrong and what the remedy should be. That is all I have to say.

May I say in closing that we would be happy if there is an early ruling on this application for a direction to the railways.

THE ACTING CHAIRMAN: Your application then is that the railways be directed to furnish the information requested in your letter?

MR. FRAWLEY: That is right, sir, and if there are some matters which they require for clarification I will do my best to obtain it, and in the light of Mr. Sinclair's letter to be followed up by further clarification.

THE ACTING CHAIRMAN: You read your letter, and perhaps you could give a copy to the Secretary as well?

MR. FRAWLEY: Yes. I think a good thing would be to read the two without interruption and they will appear in the transcript tomorrow.

MR. COOPER: Does Mr. Frawley wish these letters to appear as exhibits?

MR. FRAWLEY: In view of the fact they will appear verbatim in the transcript I do not think it is necessary to file them.

THE ACTING CHAIRMAN: Thank you, Mr. Frawley. I think we might have a short recess now.

---Short recess.



THE ACTING CHAIRMAN: Mr. Mauro.

MR. MAURO: Mr. Chairman and Mr. Commissioners I wish to join with my learned colleagues, Mr. MacKimmie and Mr. Frawley in support of Mr. MacKimmie's new motion, and in the case of Mr. Frawley what is in effect a continuation of a joint motion made by Mr. Frawley and myself at the organizational hearing of this Commission.

You may recall, Mr. Chairman, that at that time I, speaking on behalf of the province of Manitoba and having been requested to give the general attitude and approach of that province to the Terms of Reference, stated -- and I am reading from page 39 of the transcript of the preliminary organizational meeting:

"Under (a), I think it is fairly clear that inequities are presumed. There is no suggestion that the Commission should find out if there are inequities. The Terms of Reference say that the Commission shall consider and report upon inequities in the freight rates structure, their incidence upon the various regions of Canada and the legislative and other changes that can be made in furtherance of national economic policy, to remove or alleviate such inequities."

Towards the bottom of the page I say:



"I submit that the governing words of the whole Order in Council are those words 'in furtherance of national economic policy', because the railways and transportation system in this country was enunciated and based and interwoven into the economic fibre of the Dominion of Canada. It is almost trite now to say there would have been no Canada without the railways, but it is nonetheless as valid a statement today as it was in 1867 and subsequently. We are going to have a great deal to say about national economic policy and the roles played by the Canadian National and Canadian Pacific railways in the furtherance of that economic policy. We say that you cannot consider the problems of the Maritime regions or the problems of the Prairie region or the problems of British Columbia, or any region of this country -- the economic problems -- without talking about the railways -- the function of the railways in those areas -- and the action taken by the Canadian Government since 1867 touching upon transportation to further that policy. We are not going to permit the Canadian National or Canadian Pacific to segregate any one aspect of the rate structure or any one aspect of the transportation policy and say that this represents



"a problem that should be corrected."

THE ACTING CHAIRMAN: Well, what you say is that the plural is used here instead of the singular. It is "inequities" rather than "inequity". That is your argument?

MR. MAURO: Yes, sir, and we went on to suggest that the province of Manitoba had done some preliminary work in this regard, and that it was our sincere feeling that the spirit which had governed the hearings of this Commission would be a spirit of collaboration and assistance because we were convinced in the province of Manitoba that neither the good nor the evil was on the one side, that the time had come for a serious reappraisal of the transportation problems of this country, and that if the provinces representing, in large, the shippers concerned joined hands with the railways in a co-operative re-assessment that perhaps some long term solution might be found.

Subsequently, we had a discussion with Mr. Sinclair concerning some of the data we felt was requested. You will also recall that on the second day of that hearing Mr. Frawley and I made a motion which resulted from our discussions with Mr. Sinclair, and we moved that the Commission direct Mr. Sinclair to provide us with the information. I am now reading from page 117 of the transcript of that hearing, and I am addressing the Commission:

"Now, this question of inequities is very real, and this Commission, in seeking



"to ferret out whether there are inequities, must also submit to the Governor in Council its conclusions as to whether there are inequities, and what might be done to alleviate the burden on the shipper. This cannot be done with a look at a limited sphere of freight movement, namely, that at the statutory grain rates. Right now, sir, in Winnipeg, Edmonton and Saskatoon there is a hearing before the Board of Transport Commissioners concerning the cancellation of a C.P.R. passenger service, Trains 41 and 42. In the newspaper reports, or the reports in the Free Press, of those hearings it appears that witnesses for the C.P.R. have testified under oath that the reason they want to abandon this particular passenger line is that it has been losing \$500,000 a year since dieselization, and \$750,000 a year prior to dieselization. This, I suggest, is a fairly large amount of money when extended over a period of time, and this is only one segment of a fairly vast passenger service."

I went on to refer to the Waybill Analysis, and to mention that in that document, the 1958 reports, the statutory grain rates returned an average revenue per car-mile of 27 cents; that in the case of



poultry and dressed poultry there was a return of 29 cents per car-mile, and in the case of coke it was 18 cents and in the case of ores and concentrates it was 22 cents, and I went on to say that these were mere figures and while we were drawing no conclusion from them we were advancing the evidence to show that there were areas of suspicion, and areas where investigation was not only proper but where it was our duty to look into it, and we supported the motion then before the Commission.

THE ACTING CHAIRMAN: Mr. Mauro, what is your position from Manitoba as to the grain rates being compensatory?

MR. MAURO: We are going to allege that the present grain rates are, in fact, compensatory. We are going to cross-examine the cost of studies of the railways to that effect. As far as the province of Manitoba is concerned, the present rates do, in fact, return out of pocket costs.

Following that organizational meeting Mr. Frawley and I went to Washington to consult the gentlemen we hoped to retain to advise us in this matter, and they endorsed completely the fact that we must have additional information if we are to assist this Commission in its deliberations which it is undertaking. As Mr. Frawley said, we subsequently wrote to Mr. Sinclair requesting this information, and we received back a letter saying, in general, that the best thing we could do would be to drop a postcard to the Board of Transport Commissioners.



I suggest, Mr. Chairman, so far as the Government of Manitoba is concerned it stopped sending postcards to the Board of Transport Commissioners last November when we appeared before the Governor in Council because the inequities in the freight rates structure had become so intolerable to various regions of this country -- the Maritimes, particularly, and western Canada -- when we appeared before the Governor in Council appealing the decision of the Board of Transport Commissioners in the 17 per cent case. I suggest that as a result of that appeal this Commission was empowered, and the Terms of Reference make it very clear that this Commission was directed to investigate all of the inequities that might exist in the Canadian freight rates structure, and to consider them in the context of the national economic policy, and the role that transportation might play in the furtherance of that national economic policy.

You have just returned, sir, from the Maritimes region, and I am satisfied that I need say nothing as to whether or not there is only one inequity in the Canadian freight rates structure.

One of the other directions of the Governor in Council was to consider whether, and to what extent, the Railway Act should specify what assets and earnings other railway companies in businesses and investments other than railways should be taken into account in establishing freight rates.

At the time of the preliminary hearing we



were aware of evidence of a historical nature that the C.N.R. and C.P.R. might submit to this Commission to form, in our opinion, a background or a context within which we might consider all of the grants received by the C.P.R., in particular, from the Canadian people through their Government, and to try to analyze and assess the function of the railway in relation to the people of this country, but to restrict it to a historical survey of rail transportation problems and develop it into a consideration of the 1897 Crow's Nest Pass agreements would, in my humble opinion, be as narrow an approach as to consider the history of Canadian political development from a perusal of the Statute of Westminster. The Terms of Reference are clear. We are disturbed by the fact that there is a continuation from the organizational meeting of this attitude on the part of the railways, that all harm commenced in 1897; that all railway problems really commenced with that agreement, and if that agreement is varied or rescinded a new era will dawn. We say that under the charter of the Canadian Pacific Railway -- I will read from the Statutes of Canada, 44 Victoria, 1881. By that act a contract was entered into by the Canadian Government on behalf of the citizens of Canada, and the Canadian Pacific Railway on the other hand, and Section 3 of that Statute, Mr. Chairman, reads:

"Upon the organization of the said



"Company, and the deposit by them, with the Government, of one million dollars in cash or securities approved by the Government, for the purpose in the said contract provided, and in consideration of the completion and perpetual and efficient operation of the railway ..."

And I repeat those words:

"... and in consideration of the completion and perpetual and efficient operation of the railway by the said Company, as stipulated in the said contract, the Government may grant to the Company a subsidy of twenty-five million dollars in money, and twenty-five million acres of land, to be paid and conveyed to the Company in the manner and proportions, and upon the terms and conditions agreed upon in the said contract, and may also grant to the Company the land for right of way, stations and other purposes ..."

It goes on to state that when the central portion of the rail line is completed --

THE ACTING CHAIRMAN: That had nothing to do, of course, with the Crow's Nest Pass.

MR. MAURO: That is right, Mr. Chairman. That is my point. This Commission is not a Crow's Nest Pass Commission, and in looking at this



re-appraisal of the railways and transportation in Canada, and the role it has played in the furtherance of the national economic policy, I suggest in considering any of the historical background all of this material must be before the Commission. We say that in addition to the material we have requested which refers to the present-day situation that if the Terms of Reference are to be properly approached by this Commission the railways should be further directed to supply historical data to the same extent as they have been able to present it, in detail, covering the Crow's Nest Pass agreements, because this is not a consideration of the Prairie problems; it is a consideration of the problems of the various economic regions of this country, the Maritimes, central Canada, the Prairies, and British Columbia.

So, I join with my learned friends, Mr. MacKimmie and Mr. Frawley, in suggesting earnestly, Mr. Chairman and Commissioners, that this material be provided; that the Commission direct that it be so provided. While not being so presumptuous as to suggest the speed on the part of the Commission, Mr. Chairman, I am sure you will realize that having regard to the experts we are retaining on this matter our function before the Commission will be considerably limited unless an early decision is brought down so that we can, in fact, instruct our experts accordingly.

THE ACTING CHAIRMAN: Mr. Mauro, you are asking for an early decision. We have no notice



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of motion before us, and we will have to see what the record tells us after reading the records and correspondence, and we certainly will not try to delay anything but we are not going to give any snap decision.

MR. MAURO: That is perfectly understandable, Mr. Chairman.

THE ACTING CHAIRMAN: Nobody would want that.

MR. MAURO: Certainly not. Thank you very much for hearing me, Mr. Chairman and Commissioners. I understand my learned friend, Mr. Dixon, wishes to speak.



MR. DIXON: Mr. Chairman and Commissioners,
I appear for the Province of Saskatchewan.

THE CHAIRMAN: Yes.

MR. DIXON: Mr. Chairman, the Government of Saskatchewan recognizes that this Commission has a formidable task to perform; it must give consideration to the submissions of the railways and, at the same time, it cannot, and I submit would not, wish to overlook the submissions made by the users of the facilities provided by the railways, that is the citizens of Canada. It is ---

THE ACTING CHAIRMAN: That is, you think there must be a continuation of efficient rail service in Canada?

MR. DIXON: Yes, sir. It is a well known and acknowledged fact that this Commission has undertaken its task with all the seriousness of purpose appropriate to a royal commission. The Province of Saskatchewan is, however, concerned that sufficient time be allowed to permit a thorough investigation of all relevant aspects of these most complex problems which confront the Commission under its Terms of Reference.

At the hearings before the Commission in September the Province of Saskatchewan took the position that the Crow's Nest rates on grain were not a subject to be considered by the Commission, and we were supported in this position by the Provinces of Alberta and Manitoba, by the wheat pools of the prairie provinces and by the United Grain Growers and others interested in the prairie economy. In



adopting this position we argued that the Crow's Nest rates were an instrument of national policy as, in fact, the railways themselves. We argued further that if these rates were held to be a proper subject of examination as contended by the railways, then they were not the only matters to be considered but rather one of many.

The Commission ruled that the Crow's Nest rates be a proper subject to be considered by the Commission. While this was contrary to the position taken by the Province of Saskatchewan, Saskatchewan accepted this ruling with grace, on the assumption that all alleged burdens on the railways would be subjected to the same rigid examination by the Commission. The events of the past six or seven weeks have cast some doubt on the validity of this assumption. During this period we have been bombarded with great masses of material from the railways, directed to one issue and one issue only, to the Crow's Nest rates. The railways are to be commended for a skilfully prepared case on the Crow's Nest rates. It is evident that if they had so chosen the railways could have presented an equally good documentation on the numerous other aspects of the freight rate structure. This they have failed to do. In fact, as is evident from the able arguments of counsel who preceded me, the railways have not only failed to produce information on this matter but they have refused to do so.

Now, Mr. Chairman, I respectfully suggest that if the Government of Canada had intended that it



was the intention that this Commission direct itself only to this one issue it would have been very simple indeed for them to say so in clear and unequivocal language. The fact that the Government of Canada directed this Commission to examine and make recommendations on the "inequities of the freight rate structure" is, I suggest, an obvious expressed intent that the very thing that is being allowed to happen here, that is a singling out and consideration of one issue in isolation from all others, the Crow's Nest Pass rates, should not be allowed to happen. I cannot state too strongly that the Province of Saskatchewan is completely and unequivocally opposed to any procedure or course of action which will or may lead to a consideration of one isolated alleged inequity and to the exclusion, in whole or in part, of all other issues relevant to the position in which the railways find themselves.

I respectfully suggest and I urge that this Commission give the fullest consideration to all aspects of the transportation problem.

The Government and the Province of Saskatchewan therefore supports to the fullest the present motions of the wheat pools and of the Provinces of Alberta and Manitoba.

Thank you, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Dixon, may I ask a question? Do you regard the present statutory rates, or would that be part of your case, as compensatory now, the present rates?

MR. DIXON: Mr. Chairman, we take the position



that it is up to the railways to prove that these rates are not compensatory.

THE ACTING CHAIRMAN: That is, you want strictly to establish that?

MR. DIXON: Yes.

THE ACTING CHAIRMAN: And you accept such evidence as will be presented on this condition?

MR. DIXON: Yes, I would say so, sir.

THE ACTING CHAIRMAN: Thank you, Mr. Dixon.

MR. MCGUIGAN: Mr. Chairman, Commissioners, first of all may I answer the question which you have asked each of the others? We take the position also that until these rates have been proven, after due evidence and opportunity given for full cross-examination and production of counter-evidence -- until it has been amply established that the rates are non-compensatory, we take the position that they are.

Before expressing myself on behalf of Northwest Line Elevators Association on these motions, I might perhaps identify the Association in a word. The Association represents the owners of over 2500 grain elevators in western Canada who handle approximately 50 per cent of western Canadian grain.

Now, on behalf of the Association I would like to endorse and support most happily the motions which have been presented to you, sir, and to your Commissioners. Mr. MacKimmie, Mr. Frawley and Mr. Mauro have dealt at length with the reasons for those motions, and I do not intend to repeat those reasons. I will say that we subscribe to them



entirely.

Although we were not present at your opening hearings in September, we have been furnished with and have studied the material which has been prepared by the two railways, and have studied the solution proposed by the Canadian Pacific Railway. Our Association, I need hardly say, will oppose most vigorously any solution which might add to the cost to the farmer of moving his grain. On the other hand, the Association recognizes the need of Canada of having stable financial railways. The Association is not opposed to federal aid to the railways if the railways establish, after a full and complete study of their overall respective financial positions, a need for that aid.

THE ACTING CHAIRMAN: Well, now, on that point, I think it is fairly significant that I think for the first time on these revenue and rate hearings the railways declare that they do not ask for an increase to the farmer of the rates. I think that is very important.

MR. MCGUIGAN: I agree entirely, Mr. Chairman. The fact, though, which concerns us is not so much the solution proposed as the after-effect.

THE ACTING CHAIRMAN: That is quite another thing. It is not a question of what should be done, but how it should be done.

MR. MCGUIGAN: That is correct, sir. When we speak of overall financial study, that is what we mean. We think there should be a study of all sources of rail revenue and all types of traffic. We



do not see the merit of examining this solution in the need or the right of these companies to receive federal aid from a study of one type of traffic only, from one source of revenue, one source of outlay.

Mr. Chairman, we respectfully ask for your favourable consideration to the motions which have been made.

THE ACTING CHAIRMAN: Anybody else speaking to the motions?

MR. BRAZIER: For more reasons which I think you can appreciate, I have not been invited to participate in some of the discussions between the Prairie Provinces and ---

THE ACTING CHAIRMAN: I would suspect that.

MR. BRAZIER: Nevertheless, I feel compelled to support the motion, and I do it quite willingly under the circumstances I find myself in today.

We in British Columbia do not feel that some solution to the Crow's Nest Pass or export grain rates is going to completely solve the railway problem in Canada. We feel there that the railways are required to render a number of other non-compensatory services. We take the position that if they are in the national interest required to render such non-compensatory services, some form of relief to the railways should be found. We cannot find out from the information that we have at the present time just what those non-compensatory services are. I have suspected for a long time myself that the passenger services revenue was non-compensatory, and I



can quite concede that we must agree that passenger services must continue, particularly to isolated communities, but let's know what it is costing us and how that cost is to be met.

So I say no more than that in support of the motions which have been presented by Mr. MacKimmie and Mr. Frawley and Mr. Mauro, that I think we must have from the railways, as being the only source of information, considerable detail as to what are the other non-compensatory services being rendered by the railways in Canada today, so that we can decide this, this Commission can come up with a recommendation which is going to solve not only the immediate railway problem but is going to lay a pattern for a number of years to come.

THE ACTING CHAIRMAN: Anyone else speaking to the motion?

MR. McCURTCHER: I appear on behalf of the Saskatchewan Farmers Union, sir, as agent only both for their counsel and the Executive of that Union. They are also beset by the difficulties of properly presenting a case to this Commission in not having sufficient material and, I am instructed, also time to properly prepare and present a case.

Now, in the light of that, my original instructions, sir, were that as a vitally interested party they were prepared to ask the Commission for an adjournment this morning rather than go further with the matter at this time.



I rather suspected, in the light of the briefcases behind me and the eager faces that perhaps a motion would not be accepted with the favour it might be in any other circumstances. However, I think they are entitled to ask this, that an opportunity be given to counsel for the Saskatchewan Farmers Union at a later date to cross-examine fully witnesses called by the railways on matters presented before this Commission both with reference to the ambit of the inquiry as it has proceeded to date and in the light of any information that might be supplied to interested parties as proposed by the motion this morning. I might say from a practical point of view, my clients have been beset with some difficulties. For instance, they are currently involved in a convention which makes it very difficult for them to be properly represented here.

I understand that it has only been realized by the Saskatchewan Farmers Union what the enormity of the situation is in terms of their interest. I am instructed that the locals and memberships insist that a determined opposition be made to the fact that the major railways have singled out and have apparently been permitted to single out the alleged losses on the movement of export grain while losses on other items of **traffic** seem to be ignored. This is especially annoying since the western grain producers have been going through a period of acute distress.

I might reiterate my request that their



rights be fully protected through giving them an opportunity to cross-examine in the light of whatever evidence is adduced today at a subsequent date. I am not familiar with the programme of the Commission as to what dates they are sitting in the future, but if that right is given to them perhaps they can present their case adequately.

THE ACTING CHAIRMAN: Mr. McCurtcher, you say only recently have you become aware of the importance of this Commission's work. As a matter of fact, the Commission was appointed on the 13th of May, 1959 and full publicity was given to all our powers and responsibilities. Certainly we are anxious to get on with the job and we are certainly anxious to avoid any unnecessary adjournments. If there is a bona fide case for an adjournment we will consider it but the adjournments that you suggest, I am afraid we could not entertain those if we are going to have this job done during the lifetime of all of us.

MR. McCURTCHER: I quite realize that, Mr. Chairman. I might say I am not instructed more fully than this to give you the circumstances as to why that is so but on the point of cross-examination perhaps we might get some relief there.

THE ACTING CHAIRMAN: However sympathetic we might be we will cross the bridges when we come to them. Are there any other counsel before calling on Mr. Sinclair? Do any other counsel wish to speak to this matter? All right, Mr. Sinclair.





MR. SINCLAIR: As I understand it, Mr. Chairman, there were three motions in effect, one by Mr. McCurtcher which you have spoken to and one by Mr. MacKimmie --

THE ACTING CHAIRMAN: I think we can take it that I have disposed of Mr. McCurtcher's submission.

MR. SINCLAIR: Yes. So, it remains just to speak to the two motions. The motion of Mr. MacKimmie is rather simple although it took quite a while to lay out as a backdrop and when the motion came forward finally I found it difficult to get my notes down in any sequence because he did not tell us what the motion was until the end. As I understand it, it is "stop now, ask the railways to go away and work some more and produce further data and material". Mr. Mauro was kind enough to say we had done that with "complete candor and detail" in regard to the grain rates.

Mr. MacKimmie's motion is really that of motion to adjourn the work of the Commission to an unspecified date. Naturally we of the railways oppose that. Mr. Mauro says this Commission arises out of the submissions made and an appeal from a general revenue increase that was authorized last Fall. Today is December 4th, so that certainly some of the people who supported Mr. MacKimmie's motion got what they asked for and they asked for it last November or December. Yet now they say "Adjourn this work of the Commission to an unspecified date in the future." We, of course, oppose that. We say



it is an attempt to delay the work of the Commission who, as you have just said, were formally constituted on the 13th of May, 1959. Now this motion is made on behalf of powerful interests; Mr. MacKimmie has a group of clients that I am sure any barrister would be proud to represent, powerful, wealthy, substantial people.

MR. MacKIMMIE: Would that my fees were the same.

MR. SINCLAIR: Farm organizations replete with technical staffs maintained down through the years who know, as they have demonstrated, a great deal about grain who are in some instances headed up by some of the most -- one of the organizations headed up by a really outstanding barrister of Canada, a man whose skill in that field is legion. These tremendous powerful organizations could have called on their staff to analyze, to get ready and I am sure they are ready but I do not blame my friends or their clients for taking the position to try and prevent the carrying on when the other side have a good case as the railways have. In these circumstances there is no reason why you should not have it delayed as long as you can. That is the basis, I suggest, of the motion, to delay to an unspecified date.

THE ACTING CHAIRMAN: You are talking about human nature.

MR. SINCLAIR: Quite so. It could well be that this human nature is sometimes replete with



words and it is hard to find the bottom of it until you really start to think what those words mean.

Now, Mr. MacKimmie's clients talk about passenger trains deficit and they also talk about branch lines. Those are the two points he made.

MR. MACKIMMIE: Two of the points.

MR. SINCLAIR: Two of the points. As to the passenger train deficit I think that it is made clear from the letter Mr. Frawley read and also from the transcript he read that instructions of the railways, instructions to myself as counsel for Canadian Pacific anyway, were to charge any part of the passenger train deficit to the movement of grain and that was made clear away last October so that it was no surprise that the people from the provinces knew that that was the position. But, it is a surprise that they have felt they were in any way hampered but they should wait until the 4th of December to be heard. It may be that Mr. MacKimmie on behalf of his clients or Mr. Frawley on behalf of his or Mr. Mauro want to call evidence to prove that a part of the passenger train deficit should be charged to grain. Fine, let them do it at the appropriate time. The railway said in this case they were not charging any part of the passenger train deficit to grain. Now, there was a statement made by one of the counsel in support of the motion made by Mr. Brazier from British Columbia that the railways were required to provide passenger train service in the national interest. Now, that is a statement of counsel, and I do not know what



it means. I do not know what it means to say that they are required by law -- I would like to have it pointed out to me how, where and when does that arise because I do not understand it. Now, the Canadian Pacific have, of course, made clear -- reference was made to it -- one example is trains 41 and 42 for which an application has been directed to the Board of Transport Commissioners here and is now awaiting decision. It may be that somebody will say the Board of Transport Commissioners should have got that decision out sooner. I do not know if that is their complaint but if that is their complaint they should come forward and say it and then we will see what the position of the railways is. If it is the complaint that the Board of Transport Commissioners did not deal with these matters such as trains 41 and 42 in an expeditious enough manner, let them come forward and say so and then we will know what we are to speak to.

I find it difficult to deal with these two motions together because they are really different motions so with your permission I will--

THE ACTING CHAIRMAN: Take your own way of dealing with them.

MR. SINCLAIR: I will deal with Mr. MacKimmie's first. I do not like people putting two things in one basket that are different.

THE ACTING CHAIRMAN: Before you come to that, I think the Commission would like railway counsel and all counsel that have any amendments to



the Railway Act to let us have them as soon as possible for consideration -- any amendments of any kind.

MR. SINCLAIR: Well, if that is directed to me I would like to think about it before I answer it.

THE ACTING CHAIRMAN: You and all the others.

MR. SINCLAIR: In so far as one amendment, we did draft it out and have had it since last May.

THE ACTING CHAIRMAN: There may be others.

MR. SINCLAIR: Oh yes, there may be others.

THE ACTING CHAIRMAN: I am sorry I interrupted you. You were splitting your talk.

MR. SINCLAIR: I was trying to understand what Mr. MacKimmie had said in relation to his motion in trying to show what the C.P. position was. We will leave Mr. Frawley aside for the moment but I do not want him to feel any affront at my not mentioning him. I think Mr. MacKimmie said "passenger -- we want to know about it now". Now, Mr. MacKimmie says he wants to know about it now and how much it costs so we can charge some proportion of it to grain. That is one thing; if he says "We want to know about it now because we will have something to say about it later", that is another thing; if he wants to make passenger a part of grain or the passenger deficits will be charged to grain let him come forward. Our position is that they should not be and when our witnesses are before the Commission they will show why they do not think grain should bear part of the passenger position.



I am not going to try, as some of my friends have done, to put evidence on the record at this time. I am stating what the facts are as I understand them in light of what they have said.

The other thing Mr. MacKimmie spoke about were the branch lines. He said they were uneconomic branch lines, I think his word was: "uneconomic". I do not want to be unfair in any way to him -- branch line deficits. Well, Mr. Chairman, he certainly knows there are branch lines deficits. There is material that has been filed by the Canadian National and the Canadian Pacific in these cases and they have shown that there is in Western Canada 3,000 miles of track of the C.P.R. solely related to the movement of export grain. They have also been told in this material that we have with candor and great detail set out, they know that this branch is uneconomic on grain at half a cent per ton mile. Now, are Mr. MacKimmie's clients, these tremendously powerful interests I have spoken of, after their investigations that have been going on for years, saying to this Commission that 3,000 miles of Canadian Pacific track in Western Canada should be ripped up? Is that what they are saying that the United Grain Growers does not want branch lines that do not pay their way? "We don't want them, we want to rip them out". Is that what the Saskatchewan pool, the Manitoba pool and the Alberta pool are saying? I do not know. Mr. MacKimmie does not make that clear.



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MR. MacKIMMIE: We do not want them torn up.

MR. SINCLAIR: Then I do not know if he wants to pay for the maintenance of them and the carrying of them on behalf of his clients. Nobody has made that clear.



MR. MacKIMMIE: What was that again; I am sorry?

MR. SINCLAIR: You do not want them torn up. I am asking whether your clients want to pay for their operation.

MR. MacKIMMIE: My clients would like to know of all branch lines. They would like to know the ones which are paying, and which ones are losing. I am not interested only in the West; I want to know also of the branch lines in the East.

MR. SINCLAIR: I am asking again for clarification. Maybe my friend would assist the Commission by saying whether his clients want to pay for the branch lines that are solely carrying the grain. That is an easy question.

THE ACTING CHAIRMAN: Well, I do not think you should cross-examine counsel. It is always interesting, Mr. Sinclair, but some times it is not right.

MR. SINCLAIR: I can understand that. I just thought that as he introduced something it would assist if we could clarify it. No doubt he will call evidence at a later date, and we can ask that question of the witnesses.

THE ACTING CHAIRMAN: Yes.

MR. SINCLAIR: Yes; I will just look at some of the evidence he presented this morning. He went on to deal with a number of other points. Now, Mr. Chairman, there seems to be some misapprehension and some misunderstanding. I do not understand it



myself. The Canadian Pacific made it clear that there may be other inequities in the freight rate structure, but the only one of significance that we knew of was the statutory grain rates. I thought that was abundantly clear. I said it; Commission counsel recorded it; the reporter recorded it and these powerful interests represented by Mr. MacKimmie have many copies of this -- they were carrying some into the hotel -- and they could have read it. It is at page 9 of Volume I:

"... the greatest inequity in the freight rates structure -- and possibly the only one of significance -- is that which results from what is known as the statutory rates on grain and grain products in western Canada as required in their application under Section 328, subsections 6 and 7, of the Railway Act."

And further on at page 13 I say this:

"As I said, possibly the only inequity that we would think came under (a) would be that. There may be others, and we would want to answer them at some stage."

Surely, that made it clear that we were not saying that this Commission only had to consider the statutory grain rates. We can read the Order in Council, and at a later date if anybody thinks there is an inequity he can bring it forward, and to the best of our ability we will answer it.

THE ACTING CHAIRMAN: You recognize that there are various inequities, but it is a question



of emphasis?

MR. SINCLAIR: I recognize that certain people may think there are inequities, and they may present some facts ---

THE ACTING CHAIRMAN: Well, in your opinion some of them are alleged?

MR. SINCLAIR: Some of them may be alleged, that is right.

THE ACTING CHAIRMAN: But this is the only one you propose to deal with from a critical standpoint?

MR. SINCLAIR: This is the only one I intend to deal with from a critical standpoint at this stage of the Commission's hearing.

THE ACTING CHAIRMAN: Well, can you enlighten the Commission as to whether or not there are others which you propose to bring to the attention of the Commission later?

MR. SINCLAIR: Oh, yes, sir.

THE ACTING CHAIRMAN: Such as ---

MR. SINCLAIR: Section 53(1) of the Railway Act.

THE ACTING CHAIRMAN: Yes?

MR. SINCLAIR: That is the greatest shackle that the railways have in the Railway Act, in my opinion.

THE ACTING CHAIRMAN: That comes under "Procedure".

MR. SINCLAIR: Yes. At a later date and at the appropriate time, as directed by the Commission, we will have something to say about that in a positive



manner, I hope.

THE ACTING CHAIRMAN: Is that the only other thing?

MR. SINCLAIR: I cannot think of that as the only one, sir. There may be others.

THE ACTING CHAIRMAN: The stringency of regulation under the Railway Act -- is that an inequity, do you feel?

MR. SINCLAIR: One of them is Section 53(1). That is a stringency.

THE ACTING CHAIRMAN: Section 53(1) is specific.

MR. SINCLAIR: It is pretty specific, yes.

THE ACTING CHAIRMAN: It deals with an appeal.

MR. SINCLAIR: It deals with a type of appeal, yes, sir.

THE ACTING CHAIRMAN: But I had in mind rates. We are not interfering with the Board of Transport Commissioners. Are there amendments to the Railway Act that you can suggest in connection with the matter of rates?

MR. SINCLAIR: There may be.

THE ACTING CHAIRMAN: Well, I should not go into that. You are answering Mr. MacKimmie. I only say again that it is a matter of emphasis, and you are putting grain rates as the first on the list of inequities?

MR. SINCLAIR: I am saying it is the only one of significance that we know of having relation to paragraph (a) of the specific terms of the Order



in Council.

THE ACTING CHAIRMAN: And you would quarrel with regard to the others mentioned?

MR. SINCLAIR: Yes. This refers to paragraph (a). There are other things and other sections of the Order in Council which undoubtedly are important, and I think that is clear. May I recall to my friends -- they may have been too busy, sir, reading the material we sent them to read the transcript. I am going back to Volume I at page 131 where Mr. MacKimmie says:

"As I said yesterday, my primary, if not exclusive, interest on behalf of my clients is in the Crow's Nest Pass rates. Mr. Sinclair has said he will make everything I require available, and I am certainly satisfied with that, sir."

Now, with due respect, sir, I would like to make a little reference to one other part, and with your permission, Mr. Cooper, I would like to refer to something you said. At page 128 Mr. Cooper said this:

"Mr. Chairman, at this conference of yesterday, which has already been referred to, Mr. MacKimmie asked that a cost analysis be made available with respect to movements under the Crow's Nest Pass rates. I understood Mr. Sinclair to say that such costs would be readily made available to Mr. MacKimmie, and that Mr. MacKimmie's expert



could get in touch with the railways, and if any questions then developed as to what should be supplied to the experts, those questions could be resolved either by consultation between Mr. MacKimmie and Mr. Sinclair and myself, or, failing that, by reference to the Commission . . ."

I am happy to say, as Mr. MacKimmie mentioned this morning, that no difference did arise, and we did supply the information. It is a large volume. This is it. In addition to all the information which has been supplied close to ninety individual requests have been made by consultants direct to us, and we have supplied the information to the consultants of these powerful western grain interests and the rich western provinces, and, indeed, some of the times they asked us to photostat things which cost the Canadian Pacific a substantial sum of money. We did that, and we did not send them a bill -- at least, not up to now.

THE ACTING CHAIRMAN: I think we will adjourn now until two o'clock.

---Luncheon adjournment.



---On resuming at 2.00 p.m.

THE ACTING CHAIRMAN: We will come to order.

Mr. Sinclair?

MR. SINCLAIR: Mr. Chairman and members of the Commission, just at adjournment -- and the reason I was late is that I was checking with the reporter as to how far I had gone, and it may be that we can pick up the continuity or I can start at the beginning again of what I was reading, and that was from page 128 of Volume I of the preliminary meeting.

On page 128 I was reading what Mr. Cooper said, as reported in the transcript:

"Mr. Chairman, at this conference of yesterday, which has already been referred to, Mr. MacKimmie asked that a cost analysis be made available with respect to movements under the Crow's Nest Pass rates. I understood Mr. Sinclair to say that such costs would be readily made available to Mr. MacKimmie, and that Mr. MacKimmie's expert could get in touch with the railways, and if any questions then developed as to what should be supplied to the experts those questions could be resolved either by consultation between Mr. MacKimmie and Mr. Sinclair and myself, or, failing that, by reference to the Commission," and I said as to that as Mr. MacKimmie said this morning, that was not necessary. We have had numerous requests from his experts and we complied



with them and gave them the information; not only that, but there were many conferences with his experts both by telephone and at meetings at Montreal. Similarly, there were conferences with the consultants of the provinces of Manitoba and Alberta and as far as I know, with one exception which is under preparation, all requests that were made to Canadian Pacific in regard to the matter of statutory grain rate have been complied with, and I was just in passing a little surprised to have Mr. MacKimmie say -- and it may be because of something in the Christmas mails, delay -- about agreed charges and the number which had escalator clauses and the number in effect, and all that type of material. That has already been supplied in the full detail that he mentioned in one of his points this morning. It was supplied to Mr. Frawley, and as we have been asked to do, we have also sent copies to Mr. MacKimmie. It may be that it went to Mr. Saunders, or it may be that it has gone to Calgary, or it could be delayed in the mail, but that information in detail as to the number of agreed charges, the number containing escalator clauses and some other information on agreed charges as to dates, numbers in effect, was supplied pursuant to Mr. Frawley's request and copies sent to Mr. MacKimmie. If Mr. MacKimmie hasn't got it, I maybe could run off another copy.

MR. FRAWLEY: I don't want to interrupt you, but should not let my friend Mr. Sinclair remain under a moment's misapprehension, but my friend Mr.



Sinclair has answered me in reply to a letter I wrote him, a prior letter which I didn't mention this morning asking him for the number of agreed charges in force and the number that had been cancelled, the number of escalator clauses, and that sort of thing. It doesn't bear in the remotest upon what is contained in what you would call Mr. Parr's letter which I read this morning.

THE ACTING CHAIRMAN: You have that information?

MR. FRAWLEY: Yes. It has nothing to do with the letter of the 27th of November.

MR. SINCLAIR: I said that Mr. MacKimmie had mentioned it this morning.

MR. FRAWLEY: Excuse me, that is why I hesitated to interrupt.

MR. SINCLAIR: We are coming to your letter of the 27th in due course. We are dealing now with the first motion.

Then, reading on from Mr. Cooper at page 129, Mr. Cooper says, "so I do not think that there is any problem left with respect to the position of those figures in so far as the statutory grain rates costs are concerned."

Now I say, Mr. Chairman, this was how that problem was cleaned up and we have carried through as we said we would, and I would go, then, to the next matter. Also again quoting Mr. Cooper still on this matter of a motion of Mr. MacKimmie. Mr. Cooper said:



"There was another matter which was the subject of some discussion yesterday, and perhaps I might proceed to that now. It was intimated, I believe, that it would facilitate matters if questions concerning statutory grain rates were heard by the Commission before the Commission proceeded to the regional hearings in the western provinces. In order that that be done it would be necessary to have a hearing in Ottawa probably early in December restricted to this question. I spoke to my friend Mr. Sinclair on this point, and I understood from him -- and he is speaking also for the other railway -- that he would produce a brief of the railways on the Crow's Nest Pass rates question by October 15, 1959, and a precis of evidence by November 1st."

That we did, Mr. Chairman; we prepared the brief of October 15th -- it is dated October 14th -- and we filed individual submissions shortly thereafter.

THE ACTING CHAIRMAN: There is no intention or decision that there should be an interim report on this issue alone.

MR. SINCLAIR: Well, Mr. Chairman and members of the Commission, after I finish dealing with these motions I will have certain suggestions to make to the Commission, so if I may defer answering that until that time.

THE ACTING CHAIRMAN: Very well.

MR. SINCLAIR: These precis were sent out,



they were sent out in complete detail, with candour and detail, to adopt the phrase of my friend Mr. Mauro.

Then Mr. Cooper said:

"That would give a period probably something in excess of a month to enable people to prepare for a hearing here in Ottawa on this question of the Crow's Nest Pass rates.

"I understand that the submissions of the railways will include suggested solutions to the problems which they consider they have on this question."

Once again, they knew away back in September that that was the direction of the Commission, and that was what we would do. We undertook to do it and we did do it.

Now, I turn to page 137, which is the last but one page of the meeting of the 18th, I think it was, of September. After the ruling of the Commission I, addressing the Chairman of the Commission, said:

"I have one point in clarification, if I may. In the light of this" -- in the light of the hearing about the motion on statutory grain rates on the 4th and the right of putting all these things out -- "in the light of this we would have a brief to file in regard to some other matters which would be relatively short and which, I take it, in view of the tentative outline you have given, would be received by the Commission some time after the first of the year.



"The Chairman: Well, it would appear that way. We have no objection to your filing earlier if you wish.

"Mr. Sinclair: No, but I wanted to make it clear that in view of the arrangements and what we have ahead of us we are going to be pretty busy people in regard to the other material and the precis we have to get out, and I would hope that the Commission recognizes that.

"The Chairman: Yes."

Now, Mr. Chairman, for anybody to suggest that the Canadian Pacific said that the only matter before this Commission under the Terms of Reference was the statutory grain rates would, of course, obviously in the light of what was said, be completely erroneous. The Canadian Pacific recognize that the Terms of Reference of this Commission are broad; the Canadian Pacific also recognize that this Commission must proceed in an orderly and expeditious way for many reasons.

It was for that reason that the railways proposed to deal with the largest and most important issue, the one that was of the most significance, first, in their opinion. The Commission agreed with that unanimously, and set that issue down for the 4th of December with directions to proceed by filing briefs and giving precis. That we did. The Commission also said that later they would deal with other matters, and Canadian Pacific says we at that time will propose, and file, and do whatever



we are instructed to do by our client and whatever we are required to do by the Commission.

Now, the Commission is well aware of the fact that this statutory grain rate issue has been in the forefront for a good many years, and for the first time, as was noted, and different from another time and in a different place.

The railways propose that the western Canadian farmer would not be asked to pay a level of rates different than he was paying under the statute. That was noted here this morning. Now, the significance of that, the difference arising from that, apparently has been lost sight of by many, in my submission.

In any event, the Commission after a full hearing in September made a ruling, and I can't interpret Mr. MacKimmie's motion this morning in any other way but asking this Commission to reverse the unanimous ruling already given.

THE ACTING CHAIRMAN: The Commission, Mr. Sinclair, didn't hold this to be the most important thing that was under discussion; it was for an orderly hearing and we had to get on with the job.

MR. SINCLAIR: The Commission didn't rule on what was the most important part, and I don't think they have to.

THE ACTING CHAIRMAN: The Commission does look on this whole transportation problem as a package deal, I think.

MR. SINCLAIR: With respect, sir, that may



be, that they will have to look at it as a package deal if it is possible to do so. It will be my respectful submission it is not possible to do so and, as I said, I will deal with that later, if I may.

THE ACTING CHAIRMAN: Well, of course, the Order in Council is pretty broad.

MR. SINCLAIR: It is very broad, sir, but as I say the fundamental thing -- and I think as you have said, the Commission recognizes -- is the need to proceed in an orderly and expeditious way.

THE ACTING CHAIRMAN: We want to get on with the job.

MR. SINCLAIR: That is right.

THE ACTING CHAIRMAN: That is what Canada expects us to do.

MR. SINCLAIR: That is what the railways are anxious for you to do because they believe that they have suffered long enough.

THE ACTING CHAIRMAN: Unfortunately, the other people have suffered, too, you see.

MR. SINCLAIR: They may think they have; we know we have been suffering.

THE ACTING CHAIRMAN: We heard a lot in the maritimes about the people that suffered, too.

MR. SINCLAIR: That may well be. I wasn't there, I wasn't there. I have great sympathy for some people in the maritimes.

Mr. MacKimmie said that the railways should be directed to the complete story of the passenger deficit. If the Commission wants to direct the



railways to give the complete story of the passenger deficit, we will do so at an appropriate time and at an appropriate place.

In regard to grain, it is not part of the story unless they want to come forward, as I said this morning, and say grain should carry a part of the passenger deficit. I want to say this, Mr. Chairman and members of the Commission, I think my friends and the clients they represent have a duty and an obligation to come forward and present their views and not to say, "We don't know anything."

Mr. MacKimmie says the entire knowledge is with the railways; nonsense, utter nonsense. The entire knowledge about the movements of grain, many things about it the railways have to work hard to find out, and there are corporations that appear to have tremendously powerful grain interests in Western Canada.

THE ACTING CHAIRMAN: I think in fairness to this Commission, we know that the conditions can be diagnosed quite fairly, as I put it in the maritimes where we went through what was prescribed, so that we can see what, after all, may be the trouble. You have offered a solution, but we are not going to accept your solution alone without representations from others.



MR. SINCLAIR: Quite so, sir, and that I will deal with very shortly. I knew that would be the attitude of the Commission, and I am happy to know that there is someone else going to come forward with a solution to this issue of the Crow's Nest, and we welcome them also and that is why we have been sending this stuff out to help them come forward.

Mr. MacKimmie's next point was branch line deficits. We now know that this has been clarified, that he is not going to have any branch lines torn up. He says he wants to know about deficits throughout the country. If the Commission were to direct some time in the future, we would do these things; and, mind you, there is a little of this Corporal's guard I mentioned earlier, and if Mr. MacKimmie wants to send someone around we will give him all the information on the branch lines, but we are not going to do so unless directed.

Now, what I said in regard to (d) before was that the position of Canadian Pacific was that the railway should stand on its own feet, and that is still our position; that is still our position.

"We will take the point" I said at page 11, "as firmly and in such a detailed way as we can that it would be at disservice to Canada and to Canadian transportation if businesses which the Canadian Pacific corporation happens to be in that have nothing to do with transportation were taken into account in fixing freight rates". That is still our position. If Mr. MacKimmie in due course,



in the light of his instructions from his clients, should make other submissions, let him come forward and we will answer them.

Our position with respect to the misunderstanding in regard to certain grants that seems to be open in this country is dealt with in one of our precis, has been in the hands of my friends for five or six weeks; the witness will be here, he will be called. I don't have to say anything more than that. He is ready to answer and assist Mr. MacKimmie and the Commission. It is the position of Canadian Pacific that Mr. MacKimmie's motion, supported as it was by the others, be dismissed, for the reason, first, that it would inordinately delay the expeditious and fair handling of the issue of statutory grain rates; secondly, that it should be dismissed because it is, in fact, an attempt to over-rule the unanimous decision of this Commission on this issue as it was given on September 18th; and finally, that the submission that he made in support of the motion produces no reasons for support. He tried to build a backdrop. I say and submit that he may have built a stalk, but it didn't assist Mr. Frawley in the necessity of giving any facts to the Commission which would require action on motion.

Now, the people in support I don't think gave any reasons also. I checked my notes; I found it difficult to keep up to the two motions going at the same time and not having them before me. But I have looked at them in the noon recess, and



there is nothing in them, nothing but "I am wholeheartedly in support"; "Me too", but no facts to support the motion that was before the Commission as placed on the record by Mr. MacKimmie.

Turning to Mr. Frawley for just one moment, he said that his was supplementary too. Now, in regard to that he said that passenger traffic is no better or no worse than grain traffic. If that is so, let him bring his evidence and show it. In so far as grain is concerned, it is not part of the cost of grain, and I say that if they wish to say that grain should bear a share of the passenger deficit, fine, come forward, say so and give the reasons.

The next point of Mr. Frawley was that he said that certain traffic was going -- I am quoting him -- "free". Now, I don't know any traffic that is going free. I do know that grain traffic moved in Western Canada to export positions is going less than free; it is a negative aspect. It is costing the railway money. I don't know anything that is going free. If Mr. Frawley knows of any traffic that is going free, let him come forward and let us know about it and the railway will take the appropriate action.

MR. FRAWLEY: I said going free with respect to the last 17 per cent increase. My friend has missed out the context.

MR. SINCLAIR: And going free, concerning the last increase -- not correct.

MR. FRAWLEY: I didn't say that. I said



that grain rates, international traffic and agreed charges were going free with respect to the last grain increase.

MR. SINCLAIR: That, of course, is not correct, and sworn evidence was given here, that some of the traffic was put on to the extent that it was able to be put on.

THE ACTING CHAIRMAN: Some of the agreed charges, the escalator clause.

MR. SINCLAIR: And others that were negotiated and international rates took charges at different times, increases at different time. My notes may have been a little short-waisted, but, nevertheless, he apparently has forgotten some of the evidence in the last case. I don't know that we can go over all these freight rate cases. I think 10 or 12 years is quite a time, and I don't think that is what the Order in Council means at all, because it says, and it makes it abundantly clear, that this Order in Council does not repeal those provisions of the Railway Act which deal with the Board of Transport Commissioners. It specifically says:

"The Committee further advise:

1. That the scope of this Commission shall not extend to the performance of functions which under the Railway Act are within the exclusive jurisdiction of the Board of Transport Commissioners."



Now, nothing can be clearer than that, and if Mr. Frawley thinks that some agreed charges should be higher or should be lower, as I said -- and I thank him for drawing it to the attention of the Commission as he did in the letter -- he should drop a postcard to the Board. Now that he is here, he doesn't even need to do that; he can walk across here and make his complaint and it will be dealt with in accordance with the requirements of the law.

Mr. Frawley then dealt with l.c.l. traffic. Mr. Frawley said that that traffic needs relief just as much as grain traffic. I don't know what he has got to base that on. I don't know what relief l.c.l. traffic needs. Mr. Frawley apparently does. Fine; let him come forward. His clients instruct him that l.c.l. traffic needs relief just as much as grain traffic. I say it does not; it has borne increases; it is not the same as grain traffic, and if Mr. Frawley thinks that l.c.l. traffic is homogeneous for costing purposes, I am surprised, because he knows better than that, and if he didn't know better than that, we told him in the letter he referred to this morning. Again, if he thinks that there is any l.c.l. traffic that is too high or too low, that is what the Board of Transport Commissioners is here for under the Act, and that determination of reasonable levels for l.c.l. traffic is clearly and unmistakably left to the Board and I am sure that this Commission is very happy that that is what the Governor in Council has directed, notwithstanding what



Mr. Frawley would like the Royal Commission to get into.

Now, Mr. Mauro said that the position of his clients in answer to a question is that grain rates to export positions are compensatory, the statutory grain rates are compensatory. The answer was -- he didn't answer the question, with all due respect; he said that their position is that they cover out-of-pocket costs. Obviously that is not an answer to the question that was put to him. If that is what he is going to prove, then he has to prove that they are not compensatory in Western Canada.

MR. MAURO: Maybe the Chairman should ask the questions to find out the position.

MR. SINCLAIR: You may want to cross-examine members of the Commission, but I don't.

Mr. Dixon said that he supported the motions and he thought there should be a look at all sources of rail revenues and traffic. Now, Mr. Chairman, if he means by that individual movements, that can't be done, that just can't be done. Certainly some reliance has to be placed upon the fact that benchmarks should be used in judging traffic revenues. If this Commission were to look at all the individual movements of the railway, as Mr. Frawley has suggested, in essence, in the letter that he put on record -- in my letter of December 2nd in reply I said this: "The time required to do such a job would be years". I will say now, Mr. Chairman, that it wouldn't be over-stating it one iota to say many years.



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THE ACTING CHAIRMAN: You have no mercy if you are going to keep us that long.

MR. SINCLAIR: I am not going to keep you. The only way you can be kept is by acceding to Mr. Frawley's motion. I say on behalf of Canadian Pacific that it is an abuse of the process of this Commission to ask them to do such a thing. Either he was trying to do something he knew couldn't be done or he didn't understand what his consultant asked him to get or his consultant wasn't precise, but we of Canadian Pacific were shocked at this.



I do not wish to allege bad faith. If it had not come from Mr. Frawley with his knowledge of the matter I would have felt that the fellow who wrote the letter possibly did not understand it. I think that perhaps Mr. Frawley ~~rushed~~ it off to me without considering it after he got it from his expert and it is a good job that Alberta is as wealthy as it is because if we are going to be directed to do this ~~he~~ will be just about as wealthy as Alberta by the time ~~he~~ finishes.

Mr. Frawley, of course, comes from a wealthy province and they have at their command a whole university full of economists, statisticians, mathematicians, philosophers, lawyers. Mr. Frawley has behind him the complete legal staff of the Alberta government, skilled excellent people that we all know they are. He is under no disability.

Saskatchewan; you heard Mr. Dougherty say who was supporting them, Dr. Britnell from the university. The university facilities are there through Dr. Britnell and all he has to do is push the button and away they go. For Mr. Dougherty to be in difficulty with an experienced practical farmer like Dr. Britnell at his side, well, Mr. Chairman and members of the Commission, we all know that is not right. Certainly Dr. Britnell is not surprised at the Crow's Nest situation because he has been studying it -- well, he was studying it I think before I was born and he knows a lot about it. He could certainly instruct Mr. Dougherty without any difficulty whatsoever. Mr. Dougherty is under no disability.



Mr. Mauro: he has a university too and a very fine university.

THE ACTING CHAIRMAN: You are a graduate of it.

MR. SINCLAIR: That is right, sir, and I am proud of it. He has a very, very fine university to call on with the economists, with the statisticians, with the mathematicians and all the attorney general's department filled with excellent lawyers as it is and as we know. Mr. Dougherty also comes from that very fine department in Saskatchewan, the attorney-general's department and we all have great regard for the University of Saskatchewan and the attorney-general's department of Manitoba, Saskatchewan and Alberta.

A great disability, and I say this with all the sincerity I can, not only on behalf of the railways to take on these powerful western grain people with all their resources but also to take on all these provinces with all their resources, with their universities and attorney-generals' departments and then we have the Northwest Line Elevators. With their economists, with their abilities and with their power they have all lined up here. Just look at them.

We at the railways did the best we could and sent out all the stuff we could to help them along. We did more than we should have done and we could be criticized for not keeping the interests of our client always foremost. But, as has been our practice we tried to assist our friends to the very best of our ability and I say that with all sincerity.



Then we have Mr. Frawley at the eleventh hour, the eleventh minute rushing forward with this letter dated November 27th which is a Friday, delivered Monday and at 9:53 p.m. on Sunday night despatching a telegram via Canadian Pacific that was delivered very shortly thereafter on Sunday night to this corporal's guard. We worked to help him and the rest of his friends, to understand or at least to give them all the material we could. Well, we waited for the letter -- we got the telegram before we got the letter and we waited for the letter and finally read it and then in as full detail as I could I told him why we could not comply with his request, why it had nothing to do with the issue here, why we disagreed with what he had to say point to point. He did not like the letter apparently but after listening to him I still do not know why. Now, Mr. Frawley's motion is asking us to do everything he has asked for here. He says if it is not clear he will go and find out from whoever wrote it, Mr. Parr, to make it clear. Now, obviously Mr. Parr is an American and possibly a very outstanding man but obviously he was not trying to do anything except what Mr. Frawley asked him to do, "Give me all the things you can think of that have anything to do with traffic, write them down and I will write this fellow Sinclair a letter and let's see what happens". Obviously this is fantastic, Mr. Chairman, to ask the railways the relation of revenues to costs for export-import traffic. What does that mean? Does that mean all traffic between Canada and the United States? Does that mean all off-shore traffic? Does it



mean to the Maritime ports, to the St. Lawrence ports, to the Pacific coast ports?

The next one is ex-lake coal traffic. Now, there is one that is homogeneous but why should you have the relationship of costs and revenues about ex-lake coal traffic? Anyone, and Mr. Frawley in particular who looked at the time, who knows something about this would say that that traffic is good remunerative traffic for the railways. Why he wants us to spend money finding revenues and costs I do not know. He might have asked us to find the revenues and costs of moving coal from Alberta to Ontario points because that is one he knows something about. He talks about deficit traffic. We would like Mr. Frawley's representative to come forward and say coal from Alberta to Ontario points should pay the full costs of moving. That would be something we would like to hear and we would certainly take a look at that evidence. That one he missed out. He could have missed out some more but I have not had a chance to really figure out what he did miss out.

Stop-off services: maybe Mr. Frawley is asking that the stop-off traffic in Western Canada should be abolished; maybe he is saying it should go on a combination rate. If that is what he says then let him come forward. I am sure there are other people besides the railways who will be quite ready to step up and ask him what he is trying to do. If he is saying that the stop-off is not paying all its costs that is fine, let him say that and say what he wants us to do. In part of the material we were asked by the consultants



of Mr. Frawley and the consultants of Mr. MacKimmie what it cost for traffic grain and what were the revenues. We have told them that. Frankly, Mr. Chairman, the evidence is there, it is on file with the Commission and the revenues did not meet the costs. But if they want the railways to find out what they think should be done, witnesses will be here and let them ask them. If they have something positive here let them bring it forward in accordance with their duty. If they want to say, "we in the Province of Alberta say no milling in transit"; if they say it must be looked at individually and disregarding movement in or out, that it must bear its costs, then let us hear it. Let me give you the relationship, the statutory grain rate deficiency from meeting total costs, that what should have been has been done. The C.P. is some \$35 million annually for stop-off, and milling in transit is involved here and what we are talking is something like about \$400 thousand. This is not an inconsequential sum but let us be realistic about this. When I say significant, certainly \$400 thousand to \$35 million is quite a big difference but if he wants to say "take out the milling in transit on grain", let him say it but do not try to get the railways to always carry the burden. He has a responsibility and if he wants Alberta coal to pay on its movement to Ontario the total cost, fine, let him say so. As the Commission knows there is a small amount of this traffic relative, the amount involved is relatively small and it happens to be a homogeneous movement and it could be costly.



The next one is petroleum traffic moving from Western Canada refineries to various destinations -- he wants revenues and costs for that. Now, Mr. Chairman, Mr. Frawley was in this case. This case was before the Board of Transport Commissioners and it has been determined. Canadian Pacific has difficulties enough in that without producing all the detailed information of costs to its competitors on the movement of petroleum products in Western Canada where truck competition is very, very intense. Why Mr. Frawley would ask for something that he knows he should not have I do not know. Perhaps he did not ask for it, perhaps it was Mr. Parr and he did not know what the background of that was.

Trailer or flat cars: now, that certainly is not an homogeneous movement, it could be grouped and it is easier to do than some of these others but it is a number of individual cost studies. Stop-off services I have spoken to. What is it Mr. Frawley wants to know about stop-off? Is it on lumber, does he want stop-off on lumber to be considered separate and distinct? Does he want stop-off on lumber to be taken on to the tariff and make lumber move on combinations? If that is what he wants let him come forward. I think he will find that he has people not far from him right now who will not be silent. There are some people who are not beside him who won't be silent either.

Iron ore traffic, copper, lead and zinc derivatives traffic. That might mean copper or it might mean lead or it might mean copper, lead and zinc derivatives traffic. If the "derivative" means traffic



involving copper then that is quite a job and is worth about four years work alone.

Now, agreed charges: Mr. Frawley knows there are a few agreed charges, each of them are big, small, medium and they involve numerous different movements. The costing of them is a fantastic job but he knows that traffic is remunerative and if he does not think so he knows what action the law gives him to take.

Then, gathering services on other than grain traffic and branch line traffic other than so-called grain branch line traffic: it is the same approach, it goes on and on.

That is not enough, he does not only want the costs and the revenues, he then graciously lists fifteen items he wants for each one. He wants to know the volume, the proportions, he wants to know the movements, he wants to know the rates, the reductions, the proportion of haul in way train service and proportion in through train. In other words, he wants a costing job done on hundreds of thousands of traffic movements. He not only wants that but he wants a field study, he wants men to go out on the ground to find out and analyze for these small individual movements with all the difficulties that brings the same as dealing with traffic as big as grain which I think his experts, when they go on the stand, will admit is a most thorough, complete and intensive cost study as they have ever seen. He wants that for sometimes a few cars, three or four or perhaps nine. As I say, it takes a man from a wealthy province like Alberta to even contemplate something like that.



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What will happen when it is all done? As I said in my letter, Mr. Chairman, that Mr. Frawley kindly filed, the expense would be very great indeed. Most important is the fact that the time and cost would be completely wasted as it is known this traffic is remunerative and the revenues and their associated rates reflect practical rate making decisions.



Mr. Chairman and members of the Commission, Mr. Frawley's motion, in my respectful submission, should be dismissed. It is an abuse of the process to ask for the information. It would delay the work of this Commission for years. Indeed, it cannot be done. Factually it cannot be done in the way he has asked for it, and in the brief he has asked for it. Thirdly, it is a waste of time and money. Fourthly, it will have nothing to do, and has nothing to do, with the issue that we are dealing with now, and Mr. Frawley, calling upon the resources I mentioned earlier -- the multitude of his resources -- no doubt will be able to come forth here with his witness and present this material that he wants to present, and if he wants to say that stop-off charges on grain should be eliminated then, as I have said, that is fine. That is the time to do it, but do not ask the railways to do that. Let him and his resourceful people accept their responsibilities to this Commission, and not try to put them on someone else.

Now, Mr. Chairman, Mr. Frawley and Mr. MacKimmie joined together in writing this letter. I do not know why it took them so long to write it. I leave that to the Commission to decide, but the motions made this morning, if you will pardon me for saying so, Mr. Chairman, no doubt have accomplished in part at least the purpose of the people who made them, and if they be denied as I say they should be denied they have accomplished that purpose at least, and they have enabled us, as we move into this grain



study to move aside matters that do not bear on it.

I have one point, and only one, and this is my final point. Mr. Frawley says the railways may need a subsidy, but it is not because of grain. The railways do not need a subsidy because of grain, Mr. Chairman, but in the respectful submission of Canadian Pacific the Western Canadian farmers under existing conditions do. They cannot under existing conditions afford to pay a just and reasonable rate for the movement of grain. The importance of the Western Canadian farmer to the whole Canadian economy has been recognized by Canadian Pacific, and by Canadian National also, if I may say so -- I do not want to say we are the only ones that recognize it -- Canadian Pacific has recognized it, but Canadian Pacific does not need a subsidy for the movement of grain. It needs just and reasonable rates for the movement of grain. It is not receiving them, and it knows the farmer at this time under existing circumstances cannot pay them. It believes that the Western grain economy is essential to Canada, and it has made its offer of solution as it was directed to do.

Let it be made abundantly clear also, Mr. Chairman, that Canadian Pacific is not asking this Commission for a subsidy for any problem it has in passenger traffic. It is not asking for that. Whatever problems Canadian Pacific has in passenger traffic it will be prepared at the appropriate time, if directed by the Commission, to bring the facts before you -- what it is doing, what it intends to



and how it is getting along, but Canadian Pacific, as I am instructed, will not be proposing any subsidy for the movement of passengers; -- neither to the passengers nor to the railway. It is proposing a subsidy to the Western Canadian grain farmers so that they can continue to receive the most favourable treatment which they have been receiving under the statutory grain rates.

Thank you, Mr. Chairman and members of the Commission.

MR. MACKIMMIE: Before Mr. Sinclair finishes, I thought he was going to advise you of some other relief --

MR. SINCLAIR: Yes, I am sorry; I will do that. Thank you, Mr. MacKimmie. It is my suggestion -- and I am not making any motions because if I make a motion I have to give my friends notice, or else I state what the motion is at the beginning; this is not a motion, it is suggestion that I make. My suggestion is this, that along with the decision of the Commission which was made in September last that we proceed and that we hear whatever case on grain any person may have in January, and that this Commission in the light of that, and in the light of the facts and proof that will flow therefrom, do deal by way of interim report with this significant grain issue. There is no reason, I would suggest to the Commission, when all the facts on grain are before you, when the facts that have come out from the Western grain interests and the Western provinces as a result of



their studies going back over 25 years, in some cases; when they are presented to you, why, this Commission will have all the facts on grain that it is going to have, and it would be my suggestion that at that time the Commission might well decide that the time has come to make a recommendation so that the farmers of Western Canada will know that their favourable rates are to continue, but that the national interest with which they are aligned will take its proper burden and will take up the difference.

Of course, Canadian Pacific will submit that that solution should take place in a certain way, but as you said yourself this morning, Mr. Chairman, that is a way of how to do it. We think in Canadian Pacific it is the best way, but others may think differently. The first thing is to get down to find out what has to be done and what is involved, and then the last thing, of course, is how to do it.

I do not think, Mr. Chairman, with respect, that the issue that is delineated in this document, being P.C. 1959-577, could be looked at as one package. In a number of areas they are separate and distinct, and, therefore, where there is an issue as large and as significant as this then I see no reason why it should not be treated alone, or wait until other things are dealt with. It does amount to this, that by dealing with, and solving -- if that is what the recommendation of the Commission does -- the grain rate issue it will, of course, make it easier to solve some of the other issues.



In that respect there is an inter-relationship, but inter-relationship does not make it the same thing.

Mr. MacKimmie, of course, felt there were many, to use his language, problems of a similar character divorced from other similar problems. At another place Mr. MacKimmie used the phrase "other similar movements". Of course, there is no other problem similar to the grain problem. There is no other movement similar to the grain movement, and if you do not divorce dissimilar things then, of course, as Mr. MacKimmie and everybody who has had some experience in these matters, knows, it makes it very difficult to handle a number of unrelated issues even though they may have some bearing, one with the other, and that is what I meant, Mr. Chairman, when I said I had this suggestion to make in the light of the questions that you put before me. I hope that answers the question.

THE ACTING CHAIRMAN: Mr. Sinclair, we will, of course, consider your suggestion as we will consider any suggestions made here, but I may say that the Order in Council calls on us to make a comprehensive and careful inquiry with all reasonable despatch into problems relating to railway transportation.

MR. SINCLAIR: Yes, sir.



THE ACTING CHAIRMAN: We are quite alive to the fact that efficient railway transportation is essential and railways must live.

MR. SINCLAIR: Yes.

THE ACTING CHAIRMAN: And we are also alive to the fact that in this farflung country there is nothing that can be more destructive of unity than transportation problems.

MR. SINCLAIR: Yes, sir.

THE ACTING CHAIRMAN: And our concern will be to preserve the unity of Canada above everything else. That is our main concern.

MR. SINCLAIR: And ours, also.

THE ACTING CHAIRMAN: I know you have a big stake in Canada.

MR. SINCLAIR: We certainly have, sir.

THE ACTING CHAIRMAN: And keeping in mind that there will be no idea so far as I am concerned and I hope it will not be in the report bit by bit, but it was the old question of what is best for Canada and what is best for the railways.

MR. SINCLAIR: I understand that, sir, and thank you for it. I hope if I may just draw, with respect, one matter to your consideration, and that is that the inquiry be made comprehensive and with all reasonable despatch.

THE ACTING CHAIRMAN: We are doing as much as we can, Mr. Sinclair.

MR. SINCLAIR: Yes, and that is why I say that we do feel that there are duties on others.



besides ourselves to assist you in that regard.

THE ACTING CHAIRMAN: It depends on what is reasonable. Thank you, Mr. Sinclair.

Mr. McDonald? Perhaps we better have a short recess now.

---Short recess.

THE ACTING CHAIRMAN: Mr. McDonald?

MR. McDONALD: Mr. Commissioner, I will make my remarks in reply to these two motions very short at this time.

In regard to Mr. Frawley's motion and letter of November 27th which was directed to Mr. Sinclair only, and Mr. Frawley I thought rather slighted me, he overlooked me, but he gave me a copy of it today at noon and I didn't have a chance to consider it, so I might reserve any remarks I have regarding that until some time later.

I also submit that Mr. MacKimmie's motion should be dismissed. The reasons were very fully advanced by Mr. Sinclair, but the whole thing is here. You gentlemen have been given under your Terms of Reference a bundle of faggots to break; you can't break the bundle all at once, you have to take one point at a time and the only orderly way to proceed, I submit, is to deal with this question of the Crow's Nest grain rates and then take up the other matters.

Now, we don't say that the question of the statutory rates on the grain is the only



inequity in the freight rates structure. There are probably others, but our friends will come forward with them, but that is one which we allege and therefore the onus of proof is on us and we are prepared to go ahead with that.

I think you put it very well this morning, Mr. Chairman, when you said it is our duty to get on with the job, and with your permission and when the time comes I would like to start and call the first witness.

THE ACTING CHAIRMAN: Yes. I believe Mr. Gordon is here and I understand he is the first witness. Now, I think if there is any reply that Mr. MacKimmie and Mr. Frawley might wish to make, they can make it tomorrow morning. Would that be agreeable to you?

MR. MACKIMMIE: Quite satisfactory.

THE ACTING CHAIRMAN: Before Mr. Gordon is called, I think there are certain notes that I have made that offer some gleam of hope to this difficult job of the Commission.

First of all, I think we are in agreement in certain things, that everybody is happy that for once statutory rates are not to be increased; that is, everyone is in agreement, the western provinces and the railways in that regard. There will be no increase to the farmer in the matter of statutory rates.

Then, I think we are all agreed that a railway service and efficient railway service is absolutely essential to Canada.



There are other inequities in the structure apart from statutory rates, and I think while we may agree on all these things that that is the real bone of contention as I see it from the very long arguments today, that if this Commission finds that the statutory rates are not compensable, then the western provinces urge that any estimated profit should not be earmarked to western agriculture but should be regarded as a national obligation.

Now, that is it as I understand it and it may be expanded later, but if the rates are not compensable then the west doesn't want the finger pointed there and the railway doesn't want the matter of subsidy regarded as such. They don't want to be subsidized, and they are suggesting that western agriculture be subsidized, that is the distinction and that is the problem that we will have to wrestle with if it is found as a fact, and it has to be established as a fact if the present rates are not compensable.

Now, Mr. McDonald, if you will call Mr. Gordon.

MR. McDONALD: First, Mr. Chairman, there are two exhibits which I would like to file. These have been circulated to the members of the Commission and everyone else. First, there is the joint submission of the Canadian National Railways and the Canadian Pacific Railway Company to the Royal Commission on Railway Transportation in Canada. It is dated at Montreal October 12, 1959. I will file that as an exhibit.



MR. COOPER: That will be Exhibit No. 45,
Mr. Chairman.

---EXHIBIT NO. 45: Joint submission of Canadian National Railways and Canadian Pacific Railway Company.

MR. McDONALD: The second is the submission of the Canadian National Railways to the Royal Commission on Railway Transportation in Canada.

MR. COOPER: That will be Exhibit No. 46.

---EXHIBIT NO. 46: Submission of Canadian National Railways to the Royal Commission on Transportation .

MR. McDONALD: To make it complete, Mr. Sinclair would like to file one exhibit.

MR. SINCLAIR: With your permission, Mr. Chairman and members of the Commission, I would like to file the submission of the Canadian Pacific Railway Company to the Royal Commission dated at Montreal, October 14, 1959. The white cover is the joint submission and the blue book is the Canadian Pacific submission on statutory and related rates on grain and grain products in western Canada, and it is dated October 14, 1959.

MR. COOPER: That will be Exhibit No. 47.

---EXHIBIT NO. 47: Submission of Canadian Pacific Railway Company to the Royal Commission on Transportation.

MR. McDONALD: May it please the Commission, I would like to make a short statement before the first witness goes to the box.



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What is C.N.R's position on Crow's Nest
grain rates?

Why is C.N.R. before the Royal Commission on
this matter?

For a long time Canadian National revenue
from "statutory grain" has been about $\frac{1}{2}$ cent per ton
mile. The effect of this low return is reflected
in the fact that revenue from all freight traffic
on Canadian National is $1\frac{1}{2}$ cents per ton mile and if
you remove the statutory grain, the revenue from all
other traffic is 2 cents per ton mile.

Arguments have been made by some that rail-
ways are not getting their cost of haulage from this
traffic. Others claim that improvements in trans-
portation over the years, such as larger trains;
bigger cars; diesel power; better roadbeds; automatic
unloading, etc., have counterbalanced rising cost
leaving the railways in a satisfactory net revenue
position.

When this Royal Commission was announced
Canadian National decided to study the cost of
handling statutory grain traffic to find out how
the cost related to the revenue produced by this
traffic. This study of a major segment of rail
traffic was undertaken by both major grain hauling
railways after agreeing upon a common concept of
costing.

The cost concept agreed upon was to find
the "variable" cost of handling all grain traffic
moving at statutory and related rates and the



"constant" cost associated with such traffic -- the two together making up the "total" cost of handling the traffic.

Canadian National proceeded on this basis and assigned a special team of Research and Operating Department officials to the task. They have proceeded in a methodical and exhaustive way to:

- (a) collect basic data affecting the cost of carrying this traffic;
- (b) study terminal operations in western Canada to find the cost of this function;
- (c) analyse the accounts kept by the Railway by various methods to discover those which are variable and those which are constant and in what proportions.

These officers will present their findings to you and I'm sure you will be impressed by their diligence and fairness of approach. I am told that this study is as fine a one as has yet been produced anywhere and represents a faithful and determined effort to produce a realistic answer to the question of what it costs the railway to carry Crow's Nest grain.

Canadian National's purpose in being before the Commission is to show the results of this study. Also, we want you to be satisfied as to the quality of the study and to that end have welcomed and will continue to welcome examination of what has been produced. No doubt others may not agree with everything we have done, but we



feel we can demonstrate that our concept of arriving at the cost is practical and reasonable and that the results are realistic.

In a public inquiry of this kind I think we should endeavour to avoid the tense atmosphere of the court room because after all no one is on trial and we are all anxious to place the facts before your Commission in order to give you the greatest possible assistance.

There are many other matters included in your Terms of Reference and they will be dealt with by us in due course. We think the only orderly way to proceed is to deal with one point at a time.

All we are trying to do is to show the revenues received by the railway for handling the traffic in question and the cost to the railway of performing the service. Since the cost exceeds the revenues, we are proposing a solution.

The first witness whom I will call of Canadian National Railways will deal with the -

- (a) Necessity that railway revenues from grain traffic now moving at statutory and related rates be adjusted in order that this traffic will bear a fair proportion of total transportation costs, and
- (b) the recommended solution.

A precis of this witness' evidence has been filed with the Commission and distributed to all counsel, and under the Commission's system of



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numbering, it has been designated as CN-5.

I will now call the Chairman and President of the Canadian National Railways, Mr. Donald Gordon.



DONALD GORDON, called

MR. McDONALD: Go ahead, I will give you a loose rein.

MR. GORDON: Mr. Chairman and members of the Commission, let me say at once that the Canadian National Railways welcomes the appointment of this Royal Commission and is prepared to lend every possible assistance to the Commission in its deliberations.

The railway transportation performs a dynamic and vital function in the Canadian economy. It is important, therefore, from the point of view of the welfare of Canada that the railways achieve a sound financial position.

Later on in the other phases of the Commission hearings the Canadian National Railways will speak to the other matters which are expressed in the Terms of Reference of your Commission, but these hearings which are beginning today I understand are to be related solely to the hearing of evidence concerning statutory rates.

After the hearing held at Ottawa on September 17th and 18th the Chairman ruled, and I quote, "The Commission is unanimously of the opinion that under the terms of its reference evidence in regard to the effect, cause and consequences of statutory rates is admissible, and is also evidence in relation to benefits and advantages to the railways arising from the establishment



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of such rates by agreement or otherwise, and so rules."

The question of the Crow's Nest Pass rates is one which has been surrounded by much debate, controversy and opinion for many decades.

In the past the C.N. refrained from comment in respect of existing legislation covering these rates. However, I have stated on many occasions if it was decided to hold an official inquiry in regard to the adequacy or otherwise of the Crow's Nest rates and we were asked to give evidence, then we would do so; that is the reason for my presence here and the other officers of the C.N. who will supply comprehensive statistical material which will give a realistic appreciation of what is involved in the movement of grain under Crow's Nest rates.



CANADIAN NATIONAL RAILWAYS

MEMORANDUM REGARDING

- (a) "Necessity that railway revenues from grain traffic now moving at statutory and related rates be adjusted in order that this traffic will bear a fair proportion of total transportation costs."
- (b) "Recommended solutions to enable the railways to secure revenues based on just and reasonable rates for movement of grain in Western Canada to export positions while maintaining existing freight charges on grain to farmers."

This memorandum contains precis of evidence which will be called in support of (a) above, which is Section V of the Joint Submission of Canadian National Railways and Canadian Pacific Railway Company and (b) being Section IX of the Submission of the Canadian National Railways.

The formation of the Canadian National System occurred after World War I when the Government took over three large railway systems - Canadian Northern, the Grand Trunk and the Grand Trunk Pacific - each of which was insolvent and composed of many constituent and subsidiary companies. The Government also had on its hands the Canadian Government Railways, including the National Transcontinental and the Intercolonial. In 1923 formal arrangements were made for the operation under one unified system of management of all of these railways and their associated enterprises, meaning for all practical purposes the physical amalgamation of well over three hundred incorporations. A concise



history of the formation and the original composition of Canadian National Railways is shown at page 181 of the Report of the Royal Commission on Transportation, 1951. The period 1923 to 1929, the first stage of this huge undertaking, was the time when the amalgamation was being worked out and the challenges of the integration, rehabilitation and growth were being met with vigour and confidence.

This period of expansion came to an end with the 1929 depression. The mood changed to one of retrenchment carried to the point of foregoing all but the most necessary maintenance on the property. The effects of this period are highlighted by the figures for operating revenues which fell from roughly \$305 millions in 1928 to \$148 millions in 1933. The number of employees declined from a high point of 109,000 in 1929 to a low point of 74,000 in 1933. In 1931, the deficit for the year was nearly \$61 millions, and from 1931 to 1938 the average annual deficit was \$52 millions.

This period came to an abrupt end with the advent of war in 1939 which found the railway unprepared, but, because of its call to patriotism, presented an even more stirring challenge to the railway organization. The response of Canadian National to the demands of war, and indeed of all railways in Canada, was an all-out effort. Every other interest was subordinated to the overriding need of wartime transportation of goods, material, and human beings. Unfortunately, with the war came



scarcities of materials, and despite emergency action to obtain such necessities as steel rails, equipment, and motive power, the entire war period was one of improvisation and exhaustion of the property. During the period 1938 to 1945, annual revenue ton miles all but trebled and passenger carryings jumped nearly five-fold. From an annual deficit of \$54 millions in 1938, Canadian National earnings under the impact of wartime demands rose to a published surplus of \$35 millions in 1943, and during the period 1941 to 1945 the annual surplus averaged \$22-1/2 millions. This is but one demonstration of the fact that Canadian National as an operating plant needs volume to produce satisfactory results. More significantly, these figures show clearly the influence of wartime shortages and controls on costs, both in respect of labour and materials. The important point to realize, however, is that the exhaustion of war came on top of a long period of caretaking management which meant that the post war period brought imperative demands for rehabilitation.

The fourth stage commenced with the post war period and was one of rehabilitation and re-orientation. Facing management were the compelling needs to restore the property from the exhaustion of war and to meet the challenges of new competition. During the period 1946 to 1950 materials were still in short supply and there was talk of a post war depression. It was not until the 1950's that planning and investment expenditures reached a scale



commensurate with the problems confronting the system. Since then a major rehabilitation of the property has been accomplished in a remarkably short space of time. What has been achieved is not simply a restoration, but more, a revolution in motive power, in freight and passenger equipment, in fixed plant and facilities, such as marshalling yards, and in organization and methods. Between 1946 and 1958 Canadian National has added \$1,054 millions to its net rail investment.

The cumulative result of many years use of plant and equipment without corresponding replacement and improvement may be seen from the fact that from 1930 to the end of the war only \$205 millions had been invested in the property or, in other words, in fifteen years the average capital invested annually was only \$14 millions. In such circumstances, much of the equipment, both motive power and rolling stock, was obsolete as were many of the yard and terminal areas.

The heavy capital expenditure since World War II should be put into perspective, particularly so in light of the fact that it does not by any means complete the rehabilitation required. The period in question has been a high-cost one and, additionally, the technological revolution has added substantially to the complement of equipment.

The indirect effects of inflation on capital account have been no less serious. Not only is there a continuing gap between book value and



replacement cost, when replacing assets in kind, but rising prices have made all the more costly the programme of rehabilitation and modernization upon which management has embarked as a matter of both necessity and business prudence. More recently, higher interest rates have added substantially to the carrying charges of borrowed capital, and in this connection it may be observed that in the seven years since the Capital Revision Act became effective nearly 67 per cent of Canadian National's capital requirements have been financed by borrowing. In consequence, fixed charges have risen from \$25.4 millions in 1952 to \$46.5 millions in 1958.

The annual report of Canadian National for 1958 showed that despite operating revenues of \$705 millions (the third highest in the company's history) the company suffered a deficit of \$51.6 millions. In part, this might be attributed to the economic recession which prevailed in Canada during much of the year. In the current year a marked rate of expansion has occurred in the economy, and while Canadian National's financial position has improved somewhat, another substantial deficit is in prospect.

Most economic observers would contend that 1959 will constitute the best year to date for the national economy. During the second quarter of the year the gross national product ran at an annual rate of \$34.7 billion or about 7 per cent over the \$32.3 billion rate in the second quarter



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of the previous year. Industrial production in Canada, as exemplified by the D.B.S. index of industrial production is now at an all time high and will probably advance farther before the end of the year. Labour income and corporate profits in the economy are at or near all time highs. This buoyancy in the general economic situation is not reflected in the net income position of Canadian National.

Though railway freight traffic measured by ton-miles has shown marked increases in recent years, the Canadian railways' share of the total transportation market is declining as other means of transportation show a more rapid growth. This development is illustrated in the table below, summarizing Dominion Bureau of Statistics' report on intercity ton-miles of revenue freight performed in Canada by major modes of transport. From this table it appears that the share of the railways in total intercity ton-miles declined from 71 per cent in 1948 to 55 per cent in 1957.



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INTERCITY TON-MILES OF REVENUE FREIGHT PERFORMED IN CANADA
BY MAJOR MODES OF TRANSPORT

	Millions of Ton-Miles				
	Rail	Pipeline	Oil @	Air	Water
1948	59,080	-	-	7	19,782
1949	56,338	-	-	8	20,469
1950	55,538	1,496	3,551	10	23,032
1951	64,300	4,793	4,793	11	24,625
1952	68,430	6,992	6,992	17	26,313
1953	65,267	9,270	20	21	28,001
1954	57,547	12,928	25,250	20	7,810
1955	66,176	31	29,282	21	7,994
1956	78,820	39	33,594	29	8,279
1957	71,047	38	31,251	30	8,330
1958	19,190				
					Road
					82,920
					81,433
					86,002
					98,913
					106,498
					107,908
					99,897
					116,411
					138,873
					129,856
					Total

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Percentage Distribution

	Rail <u>%</u>	Oil Pipeline <u>%</u>	Air <u>%</u>	Water <u>%</u>	Road <u>%</u>	Total <u>%</u>
1948	71.2	-	23.9	4.9		
1949	69.2	-	25.1	5.7		
1950	64.6	1.7	26.8	6.9		
1951	65.0	3.6	24.9	6.5		
1952	64.3	4.5	24.7	6.5		
1953	60.5	6.5	25.9	7.1		
1954	57.6	9.3	25.3	7.8		
1955	56.8	11.1	25.2	6.9		
1956	56.8	13.0	24.2	6.0		
1957	54.7	14.8	24.1	6.4		
1958					100	

* Less than one-tenth of one per cent

D.B.S. estimate, September 1959.



Canadian National's share of the Canadian transportation market decreased from 35 per cent in 1948 to 26 per cent in 1957, as illustrated by the attached chart, which I would also like to place on the record in due course.

In the years from 1948 to 1957 the competitors of the railroads increased their share of intercity freight business from 29 per cent to 45 per cent. This spectacular growth was caused to a large extent by the development of pipelines which by 1957 were carrying 19,190 million ton-miles of traffic, accounting for 15 per cent of the total ton-miles carried in that year.

Water transport traffic has shown little growth during the past decade, but may well take a much larger share in the future as a consequence of the St. Lawrence Seaway. Air transport is increasing substantially. However, along with pipelines, the other major competitor of the railroads is highway transport. The impact of highway competition is more important than the figures in the above table indicate because the trucks carry a large proportion of high revenue producing commodities.

The railways have made substantial increases in their freight rates since the Second World War following applications for approval to the Board of Transport Commissioners as required by the Railway Act. In the early cases the railways were able to obtain a reasonable return from the increases authorized despite the fact that approximately



10 per cent of their revenue came from traffic carried at statutory and related rates because they had a fairly broad base of other traffic upon which the increases could be applied. However, this base has narrowed due to the effects of competitive forces. The Board, in recent Judgments, has recognized that the railways' difficulties in this regard have been intensified by the fact that the grain traffic within Western Canada is carried at statutory rates and also, that these rates yield only approximately one-half cent per ton-mile compared with the general average, including statutory grain, of about 1.5 cents per ton-mile, or something over 2 cents per ton-mile when the statutory grain is excluded. This means that the increases required to meet the increased cost of operation which accrued in respect of the movement of the statutory grain as well as other traffic have had to be placed entirely upon the other traffic.

Despite a constant effort to obtain as much revenue as possible from freight and other sources, it continues to be a matter of grave concern that a large proportion of the traffic handled by Canadian National in Western Canada is exempt from assuming any of the burden which occurs from increased expenses. In 1958 Canadian National's revenue from this grain traffic was approximately \$28.7 million or 17 per cent of the total revenue earned on its Western region. Just over 40 per cent of the work done on this region was performed to earn this



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grain revenue. On a Canadian lines basis this traffic produced only 6 per cent of total revenue but required 19 per cent of the total freight transportation service.

Canadian National believes in the principle that in carrying out their obligation to serve the public, Canada's railways should receive for services performed a revenue return sufficient to cover the cost of performing the service plus a reasonable margin above such cost. Consequently, a great burden in the manner of its ability to meet increased costs of operation will be lifted from Canadian National if a method can be found whereby a reasonable return can be obtained for the work performed in handling grain at statutory and related rates. This level of return could be adjusted from time to time as the cost of transportation and changing circumstances might require.



Canadian National does not suggest that the only important and urgent problem facing it is the matter of obtaining a reasonable return for the work expended in handling grain traffic at statutory and related rates. Certainly the great task for the future and the one presently occupying much of the time of the railway management is that of readjusting the railways' plant facilities and working force to the kind and quality of service which the public, increasingly accustomed to a choice of alternatives in transportation, will be prepared to patronize and pay for.

This objective of modernizing the railway plant to suit the future needs of Canada includes the examination of branch lines and trackage layout throughout the whole of the country, as well as the services being performed, to ensure that the plant is what is needed to give suitable and adequate service for the traffic offering. At the same time, each branch line is being examined to ascertain if it can justify its existence. Such a consolidation of railway plant is a major task, but it is being tackled vigorously and will proceed over the next few years until the whole of the system has been surveyed and appropriate action taken where possible.

Despite the tremendous pressures brought to bear against the railway by the forces of competition and the demands of the public, Canadian National is pursuing and will continue to pursue economies in every area of its operations. More will be said concerning the matters referred to above, and other related subjects,



in the general portion of the Commission's Inquiry.

Canadian National, in its submission of October 15th, proposes that the rates on grain and grain products to export positions should remain under statutory control, but the railways should be reimbursed for at least the cost of the work performed in carrying this traffic. Such additional recompense should be by means of a payment equal to the difference between the revenue obtained under the statutory and related rates and the amount found to be a just and reasonable level of return. Canadian National has put together the full facts of its total cost of performing this work and has shown what increase in revenue return would be required to enable it to cover such costs.

The cost study which will be presented to the Commission represents a most detailed and comprehensive analysis. It shows that for 1958 the gross revenue to Canadian National from traffic moving at statutory and related rates was \$28.7 million producing an average revenue per ton mile of 0.48 cents. The cost of moving this traffic, however, was \$60 million, which gives an average total cost per ton-mile of 1.01 cents. These figures show quite graphically the extent of the increase in the level of return from this traffic which is required to enable Canadian National to cover its total cost.

Canadian National's proposal as to the method of paying the railways for their work performed, as outlined in the above referred to submission, beginning at paragraph 11, is considered to be the best method of



dealing with the problem. The agency which the Government might choose to arrange for the payment is not of primary significance. What is important is that the amount of the payment should be calculated on some reasonable commercial basis and by an agency equipped to do so. For this reason it is felt that the Board of Transport Commissioners is the proper body to advise the Government from year to year as to the level of return which it considers to be just and reasonable for this traffic, taking into account any changing conditions or costs of transportation which may occur from time to time. While the Board would advise on the technical matters involved in fixing the level of return, the rates themselves would remain entirely within the control of Parliament.

Canadian National's proposed solution would not be difficult to implement. It would require no complicated tariff arrangements or administrative expense either to the railways or the Government agencies concerned in carrying it out. Also it would be clear to all concerned that the payments to the railways would be in respect of revenue for work done rather than a subsidy.

MR. McDONALD: Perhaps members of the Commission or other counsel will have questions to ask you.

THE ACTING CHAIRMAN: I think perhaps that chart should be filed.

MR. COOPER: The chart is headed "Intercity Revenue Ton Mile Freight - Canada". That will be Exhibit No. 48.



--- EXHIBIT NO. 48:

Chart headed "Intercity Revenue
Ton Mile Freight - Canada.

THE ACTING CHAIRMAN: Yes, Mr. Cooper?

CROSS-EXAMINATION BY MR. COOPER:

Q. Mr. Gordon, you mention on page 9 of the precis of evidence and relating to the problem of handling grain at statutory and related rates that Canadian National does not suggest that the only important and urgent problem facing it is the matter of obtaining a reasonable return for the work expended in handling grain traffic at statutory and related rates. Would you indicate to the Commission what you consider the other important and urgent problems are facing the railway at the present time in the order in which you consider their importance, if you can do so?

A. Yes. I tried to cover that in a general way in the sentence in which I say:

"Canadian National does not suggest that the only important and urgent problem facing it is the matter of obtaining a reasonable return for the work expended in handling grain at statutory and related rates. Certainly the great task for the future and the one presently occupying much of the time of the railway management is that of re-adjusting the railway's plant facilities and working force to the kind and quality of service which the public, increasingly accustomed to a choice of alternatives in transportation will be prepared to patronize and pay for."



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Gordon, cr.ex. 1321

What I had in mind there was the general question of the organization of the railway and making a determination from time to time, in light of the traffic which will be offering the railway, to what extent we can adjust our plant. In other words, if necessary, abandon facilities or reduce services. That is a very difficult job to do and requires a great deal of analysis. We are very much involved in the question of re-organization at the present time.

Q. Would you regard then this question of possible abandonment of lines or the necessity for the abandonment of lines as one other of the important and urgent problems facing the railway at the present time?

A. That would be one of them and coupled with that the abandonment of services when we find services are of a character which the public is not prepared to patronize and pay for.

Q. You mention earlier on page 9 that at the same time your branch line is being examined to ascertain if it can justify its existence. To what degree has that examination gone at the present time? Is it near completion or half completed or what?

A. It is well advanced and we have already in play, if I may use that word, a number of submissions before the Board of Transport Commissioners. What we do is, we get each one of these in a proper position to advance and we intend to do that in an orderly way so that we will not swamp the Board of Transport Commissioners with too many submissions at the same time.

Q. Mr. Gordon, would you care to comment on the



possibility of increasing passenger traffic for the railway in the future?

A. That, I think, is the \$64 question. We just do not know. It has probably been observed that both railways have been carrying on a very major rearrangement of incentive rates for group travel and a very heavy advertising campaign in that respect. We have made it perfectly clear that that is an experimental approach to see whether we can, by incentive of price, attract people to the railways. Coupled with that is also a definite discussion with our labour forces to ascertain what degree of co-operation we can get from our employees to make travel on the railway comfortable and seductive, if you will.

Q. That sounds attractive.

A. I had better take that back because there may be some misunderstanding of it. What I have in mind there is that our effort is directed most particularly to the major passenger competitor of the railway which is the private automobile. We are trying to convince people that by travelling in groups and under the conditions we have set out that they can travel more cheaply and more comfortably.

Q. Has there been any loss of express traffic or freight traffic to air cargo up to the present time, to the air method of transport?

A. I have not got the figures before me but I would say offhand, not to a major extent.

Q. Would you care to comment as to the possibilities in the future of revenue being lost to the



railways through carriage of express or freight by air?

A. Well, the challenge is certainly there and, of course, to form an appraisal of what that competition will be one would have to form a view of the advance in technology in the air. Air technology has changed so much in recent years I do not think anyone would dare guess how successful it would be in the future. It is a challenge and we are certainly vulnerable to it as a future challenge. I would say, purely as a matter of a guess, that it will become an increasing factor.

Q. There has been no study made producing any figures?

A. We have had no forecasts of that type.

Q. You mention in your evidence on page 4, the second complete paragraph:

"The period in question has been a high cost one, additionally the technological revolution has added substantially to the complement of equipment."

I take it this refers chiefly to dieselizeation?

A. Not entirely. That is one of the important items but there has been a terrific change in the use of different types of work equipment, that is machinery actually for the maintenance of the roadway, the tools. In other words, tools that we provide to our employees have shown a tremendous change over the past ten years.

Q. That is all, thank you Mr. Gordon.



CROSS-EXAMINATION BY MR. MAURO:

Q. Mr. Gordon, on page 8 at the foot, and on to page 9, there appears this:

"Canadian National believes in the principle that in carrying out their obligation to serve the public Canada's railways should receive for services performed a revenue return sufficient to cover the cost of performing these services plus a reasonable margin above such cost."

I take it, Mr. Gordon, that you would apply that principle also to passenger services, for example?

A. Well, first of all, I think I should state that the principle is expressed also as recognizing my own Scottish background. I like to be paid for anything I do. Certainly that principle should apply to the passenger service to the fullest extent that it is possible to do so in relation to the competition that exists.

Q. This page of your submission, Mr. Gordon, was simply stating the principle that services rendered should be compensated for?

A. That is exactly my position.

Q. And then you go on later to show that in the case of grain, of these suggested solutions you think the best one is that in the form of a subsidy?

A. Yes, having regard to the practical facts of the situation.

Q. If by pure chance it were ascertainable



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that the passenger service was also a deficit service then would you extend your solution to cover that service as well?

A. No, I do not think that follows because you are dealing with a different set of conditions. In the case of the passenger service management is completely free under present conditions of law to make application for increases in rates. If the management of the railways chooses not to do so they reach that judgment by a complex of other considerations. It becomes a managerial judgment, and we have to decide what other benefits or other considerations attach to the provision of a passenger service. My point is, however, that management is free to make that decision, and in the case of the statutory rates we are not free to make application for an increase in rates.

Q. So that the losses encountered, if there are any losses from the passenger service, are distinguishable from losses in regard to the Crow's Nest Pass Agreement in that management has decided on a course of action that results in the passenger losses, and in the case of the Crow's Nest Pass rates management does not have that decision?

A. Management is not free in the case of the Crow's Nest Pass rates to make any application.

Q. Applying that principle again, Mr. Gordon, I assume if it were ascertainable that



branch line operations were earning less than the cost of the service performed would you extend your suggested solution to cover the costs of those services?

A. Yes, I would, provided always that all the factors are taken into consideration. You will remember, of course, that when we make application to the Board of Transport Commissioners they have a view in respect of public convenience and necessity.

Q. I was just looking at the report of the Gordon Commission dated November, 1957, and under "Transportation" at page 273 this paragraph appears:

"It is by no means clear, either, that our railways have achieved the maximum possible advantages within the framework of present regulations. For example, it is questionable if the number of agreed charges has grown as fast as it might since 1955, even though the total rose in two years from 54 to 156. One wonders also if the total mileage of rail mile abandoned -- 114 miles in 1955 -- indicates that the railways are pressing as vigorously as they might for the elimination of unprofitable services. Moreover, the recommendation of the Turgeon Commission in 1951 that more joint programmes be undertaken by the two railways to achieve added operating economies



does not appear to have had very spectacular results. In the fifteen years up to 1949 pool trains, joint freight and switching service, and abandonments with joint use of the remaining line has saved about \$1 million annually.

Another field in which progress seems to us to have been slower than it need have been, is in the development of "piggy-back services", the carrying of loaded trucks on railway flat cars. Such services, highly developed in the United States, are mutually advantageous in that they combine the door-to-door flexibility of trucks with the long-haul advantages of the railroads."

I wonder if you would like to comment on that?

A. I might ask if the quotation is from my own evidence.

Q. No, it is from the report itself.

A. Yes, I want to make it clear that it is another Gordon, and not myself.

Q. No, I was not making that accusation.

A. Well, I was not able to get it thoroughly in my mind, or every syllable there, but taking it as a general question I suppose what is being said there is that it is questionable at any time whether or not the management of the railways is in a state of perfection. I would be the last to claim that it is. They are always things that have to be done and studied, and there are things arising which make progress very often very difficult. You must remember that it is not just a



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Gordon, cr-ex 1328

matter of analysing branch lines, and then gaily going to the Board of Transport Commissioners and saying: "Eureka, here is another one". You must remember we face all sorts of public opposition to any abandonment of any line of service. In my experience it does not matter what it is that the railways wish to discontinue there will be objections from some opinion in the country. Now, if we do not take cognizance of that and choose our timing, and perhaps do a little conditioning of public opinion, then we would not have the success we have had, and that, in some part, is the reason for the delay. You mentioned the piggy-back service, and the question is whether we are proceeding with it as rapidly as possible. Well, in the Canadian National we proceeded as rapidly as did the C.P.R., but lately they have got a little ahead on it. I have regretted that, and I have said something to my own people about it, but I do not suppose you want me to go into detail on that. But, these matters call for negotiation with shippers and there have to be sales efforts, and so on, and it is difficult to make a generalization which will bring out anything definitely.

Q. Then, I think we can at least agree, Mr. Gordon, on this matter of railway transportation in Canada that it is a very complex problem, and there are many aspects of it which are open to investigation and correction from time to time?

A. Well, I would say that is the obvious job of management. It is management's job



at any time to be constantly seeking ways and means of making the railway more efficient so that it produces a service to the Canadian citizens at as low a cost as possible, and to make it as competitive as possible, and to make it generally a service that the public will patronize.. That is the job of management. If management is not doing that job I do not think any commission or inquiry is going to do it.

THE ACTING CHAIRMAN: Mr. Frawley?

MR. FRAWLEY: I have no questions.

THE ACTING CHAIRMAN: Mr. Dixon?

MR. DIXON: No questions.

THE ACTING CHAIRMAN: Mr. Brazier?

CROSS-EXAMINATION BY MR. BRAZIER:

Q I have just one or two questions, Mr. Chairman. Mr. Gordon, I think over the last few years you have made public addresses in which you have drawn the attention of the public to the shackles that hold the railways down as far as regulation is concerned. Would that be a fair statement, that you have made certain ---

A. I would not accept that as a generalization, no. I do not recall that I made any outright attack in any speech on what you would call the shackles on railroading. If you can give me a specific reference I would be glad to confirm it.

Q. Do you think the provisions of the Railway Act in regard to the statutory rates are shackles on the railways?



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Gordon, cr-ex 1330

A. Definitely.

Q. Are there any other provisions in the Railway Act which you think have the same effect?

A. None.

Q. None whatsoever?

A. There is no other provision in the Railway Act with which I am familiar that deals with traffic of a size such as this, and having such a bearing on our total operations. In that respect I regard the Crow's Nest Pass rates situation as absolutely unique.

Q. Well, even if we agreed with you that there is nothing that affects the volume of traffic as much as that, are there other such provisions in the Railway Act that do affect the railways and restrict your managerial judgment in dealing with situations that you find uneconomic?

A. Yes, there are types of regulations with which I disagree, but I will not necessarily be right. The Board of Transport Commissioners are charged with duties in respect of such things as safety regulations and the general operation of train services. Personally I think some of them are onerous, but I would not like to try to pinpoint them because that is more an operating matter, and can be a matter of judgment.

Q. Are there any other provisions affecting any other rates which you can charge?

A. I cannot think of any at the moment in terms of rates. If somebody would jog my memory it might come back to me. I can think of a very



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Gordon, cr-ex 1331

violent fight which we were successful in where we went all the way along the line in connection with demurrage charges. We went right through to the Supreme Court, incidentally, and then the matter has been held in suspense, but I do not think that is in the Railway Act.



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Gordon, cr.ex. 1332

MR. SINCLAIR: It was a provision of the Railway Act.

THE WITNESS: Yes, quite so.

MR. BRAZIER: Q. Mr. Gordon, in your brief, precis of your evidence, you mention on page 4 the \$1,054 million which the company has invested in the railway since 1946?

A. Yes.

Q. Is it mainly a replacement of worn out equipment?

A. I can give you a run-down of that. I had it marked in my notes that that question might be asked. It is not solely equipment. It runs down this way, and I am taking the period from 1946 to the end of 1958. There are \$166.3 million on railway improvements; there are \$58.8 million in branch lines, new branch lines; \$40.2 on large terminals; communications, such as telegraphs, and so forth, \$68 million; and sundry others, including entrustment, Hudson's Bay railway, \$34.7, Northwest Communications System, \$17.8; other expenditures, \$141.9 million, making a total of \$194.4 million. That comes to a total under the heading of "Road Property" of \$527.7 million.

In equipment, covering diesel locomotives, freight equipment, passenger, a total of \$770.3 million, which is the gross property additions less retirements. Then if you deduct from that the increase in depreciation reserve, you get a figure of \$1,038.1 million, and then added to that the



figure of \$15.9 million for sundry increases in working capital, and that produces a figure of \$1,054 million that I mentioned, increase in net rail investment. There were \$527.7 million went into the road itself and \$770 million went into equipment.

Q. As a matter of fact, in the post war years there has been very little spent on new branch lines or new lines of any kind?

A. Oh, no, I wouldn't agree with that. Certainly in Canadian National we have built a lot of branch lines.

Q. I took the figure there of \$58 million. I am speaking of new branch lines.

A. Yes. That is a lot of money.

Q. In the total it is a small percentage.

A. We certainly haven't been driven to the stage of thinking that \$58 million is not a lot of money. I haven't got to the stage yet of saying, "What's a million?"

Q. Would it be fair to say, Mr. Gordon, that the question of abandoning branch lines is today one of your important tasks as President of the railway?

A. Certainly it is important. I wouldn't say it is a major task; it is a clean-up sort of proposition. To come back to your question, I remind you that we have built branch lines up to the Chibaugami area, in northern Ontario, up to Lynn Lake in northern Manitoba, up to Kitimat, and another one in New Brunswick, all into any place where



the development of the territory justified the venture, so to speak. But I think this is related to your question in regard to unprofitable lines, that under present-day conditions we do not build branch lines except on an arm's length basis without examining the economics and being satisfied that they will pass. If we are not satisfied with the economics and we are waiting on an industry, then we will enter into what is called a traffic guarantee which guarantees that our capital costs in respect to the railway can be recovered, and that, we hope, will avoid in the future some of the errors in the past where branch lines were built without the proper analysis.

Q. And you feel that those branch lines built under those conditions are standing up well?

A. They are standing up well so far. Only one of them has been closed, and the guarantee clause is operative.

Q. Going to page 9 of your brief, the first sentence starting on the fourth line there, you say: "Consequently, a great burden in the manner of its ability to meet increased costs of operation will be lifted from Canadian National ..." Do you think, Mr. Gordon, that the provision of a subsidy for the grain rates, the statutory grain rates, will provide a permanent solution to the problem of increased freight rates which has plagued Canada since the end of the last World War?

A. I don't think I quite understand your question. Would you say it again?



Q. Would it be your opinion that if Canadian National is provided with a subsidy or the cost of carrying the grain, the difference between their revenue and the actual cost, would that be a long-run solution to the problem of railway pricing in Canada?

A. Let me answer this way, that if the Western farmer is given a subsidy in order to allow him to pay a reasonable return to the railway, then I think it will avoid the distortions which have happened in the past in regard to freight rate increases. If not the complete solution, it will do a great deal towards it. But I want you to pay particular attention to my preamble.

Q. You think this will go a long way towards removing the problems that have arisen, say, between the provinces and the railway in all these rate increases which have occurred since the end of the First World War?

A. I wouldn't like to give an absolute yes or no to that question. I think this will be a great contribution, and then we will have to wait and see how the new factors will work out. You are asking me how the railway business is going to develop in the future. I have a fairly good guess for the next two or three years, but I wouldn't want to say in the next 10 years. There may be a completely new reorientation.

Q. You can see the possibility of a major reorientation in the future?



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A. Well, I wouldn't rule it out. In my lifetime I have seen so much change that I don't rule anything out.

Q. On page 10 you say that more will be said concerning the matters referred to above, and other related subjects, in the general portion of the Commission's Inquiry. Probably a personal question - will you be returning to give further evidence?

A. I have been so instructed by my counsel.



CROSS-EXAMINATION BY MR. HUME:

Q. Mr. Gordon, what I have to ask you is about your precis on page 11 in which you point out that the payment to the railway would be in respect of revenue for the work performed rather than a subsidy. I note in reading the statement of the Canadian National and the statement of the Canadian Pacific you seek to avoid payment of this as a subsidy.

A. That is right -- as a subsidy to the railway.

Q. The trucking industry, by reason of the Crow's Nest Pass and history has not hauled very much grain. If the amount to be paid as a just and reasonable rate is sufficient to attract competitive modes of transportation, would you feel this payment which you do not want to call a subsidy might also be made to the farmer so he might apply an alternative mode of transportation?

A. There is nothing I would like more than to find a method whereby the payment by the Government would be given to the individual farmer and the individual farmer would pay a just and reasonable freight rate direct. All we in the railways are asking is to be paid for our services on a proper basis and if the farmer can pay it himself direct it would be all right with us.

Q. So I may be clear in your answer, it is your position, the position of Canadian National, this payment is not necessarily to be confined to railways, it is a payment for services rendered?



A. A payment for services rendered by the railway, yes.

Q. But would you agree if the mechanics could be worked out it might be extended to competitive means of transportation?

A. I would not want to suggest the Government get into that mess.

Q. If that "mess" as you call it could be worked out would it be your position that it should not be paid

A. I do not think I should comment on that. That is a matter for the trucking industry.. There are so many different things involved, I do not think I can usefully comment on it.

Q. If the Canadian National transporation decided to haul the grain from Manitoba to the head of the lakes, would you feel your subsidiary might also be paid this payment?

A. I would always feel that any method of transporation that would be operated by the Canadian National Railway should be paid a proper return for services rendered, yes.

Q. Do you feel that with respect to your truck competitors too?

A. I feel it in connection with all kinds of transporation in the Canadian National Railway.

Q. Suppose it was beyond the Canadian National?

A. I am only speaking for the Canadian National.

CROSS-EXAMINATION BY MR. MacKIMMIE:

Q. I am looking at the top of page 6 where you



say:

"Though railway freight traffic measured by ton miles has shown marked increases in recent years, the Canadian railways' share of the total transportation market is declining as other means of transportation show a more rapid growth."

Is that continuing? Is that decline continuing each year? Are you losing more to other traffic each year?

A. It must be the case, yes. As a matter of fact, you will not have the 1958 figures but I have them here and can supply them to you. It shows a further deterioration in that respect in 1958. It would look as though the trend is continuing but I would like to say that it will not always continue, it will level off somewhere, I hope.

Q. In the Turgeon Commission Report on page 252 this statement is made:

"The Railway Association of Canada estimates that the railways are losing at least \$50 million annually as a direct result of the competitive rate which they put into effect in order to meet tough competition."

Would you adopt or agree with that statement?

A. I cannot certify the figure, I do not recognize the figure.



Q. Is it in the ball park?

A. That is a term that escapes me.

Q. Is it approximately close? The Railway Association estimates \$50 million.

A. Is this a loss of revenue?

Q. This is apparently an official statement by the Railway Association of Canada.

A. That being the case, I would accept the figure.

Q. So since then you have been losing more? It is greater now?

A. I would think so, yes.

Q. Now, Mr. Gordon, if I can turn with you for a moment to page 8, the second paragraph of your precis you say:

"Despite a constant effort to obtain as much revenue as possible from freight and other sources, it continues to be a matter of grave concern that a large proportion of the traffic handled by the Canadian National in Western Canada is exempt from assuming any of the burden which occurs from increased expenses."

Without getting into a Donneybrook I suggest to you there are other movements in Eastern Canada by way of agreed charges and competitive rates that have not been able to take too much more of the increased burden.

A. I would not agree with that for the



simple reason that competitive rates and agreed charges, which after all is a form of competitive rate, are always based on being compensatory and by reason of the agreed charge, by reason of the fact that we have been able to get traffic on the railway through an agreed charge and make some money out of it does enable us to carry the burden of other traffic without increasing the rates.

Q. What does the railway do with this private contract on agreed charges when they come back and say "Time is up, pay us more"?

A. It depends, some have an escalation clause, some have a definite period to run and when it runs out we always negotiate to see whether they should increase the payment.

Q. But if their present transportation medium gives them as good a rate as --

A. It depends on the competition, yes.

Q. You either allow that --

A. You should remember an agreed charge is a competitive rate.

Q. I think I understand that.

A. And it is a compensatory rate by definition.

Q. Well, whose definition? Yours?

A. By our definition and open to challenge at any time.

Q. The only point I can make is, it won't increase those rates unless it is profitable to the shipper. They will not agree to a new charge at an increased rate unless it is beneficial to the shipper?



A. If the shipper can show he can get alternative service then, of course, he won't agree to a higher charge. That applies to all competitive traffic.

Q. So you lose that traffic if he would not go for any increase?

A. If we did not meet the competitive rate we would likely lose the traffic.

Q. On page 8 you say:

"Canadian National believes in the principle that in carrying out their obligation to serve the public, Canada's railway should receive for services performed a revenue return sufficient to cover the cost of performing the service plus a reasonable margin above such cost."

Now, you agreed with Mr. Mauro you would like to do that on the passenger traffic as well as with other services?

A. Yes, I would.

Q. And you have not reached that stage yet?

A. No.

Q. Mr. Gordon, in Western Canada it was reported about a year ago that one of these management decisions, as I understand it, was to discontinue the services of the Continental. Was that announced?

A. The Super Continental. We announced that we would amalgamate our two trains during the winter season and then we announced we had changed our minds.



Q. Why did you change your mind?

A. We changed our minds because we had not realized until after the event -- once we made the announcement and realized the impact it was having on future reservations and the general position of the railway we came to the conclusion as a managerial decision that perhaps we had been too hasty and would give it another try and that is what we are doing.

Q. Now, when you made that decision, the original decision which may have been an erroneous one, how much were you going to save by amalgamating?

A. That was one of the things that made us change our minds because the analyses that we made when we began to check them a little more closely in the light of events did not stand up. That was one of the factors that went into the change of decision.

Q. Are you the railway official who is reported to have said that it would be cheaper to give a cash payment to the passengers on the train than to run the dining car service?

A. I have never made any such statement.

Q. Did you ever hear of that being made?

A. I have not heard it put forward. I have heard a lot of funny statements but not that one. Would you mind repeating it?

Q. Would it be cheaper to give a cash payment to the passengers on the train than run the dining car service? In other words are you losing money on the dining car service?



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Gordon, cr. ex. 1344

A. We did. I do not think anyone can answer a wisecrack like that because it is a wisecrack. One has to consider from a management point of view the whole block of the passenger service. We know from experience if we do not provide a dining car service that there are lots of types, the best type of passengers who will not patronize the railways. It is part of the service we are selling.

Q. I agree and suggest to you that the trans-continental trains and other passenger services are in the interests of the country and people want them. I suggest further to you that you would probably have lots of complaints from the public when you announced the cutting off the service.

A. Yes.



Q. And doesn't that have some effect on management's position of what is in the national interest?

A. Yes, I explained to you among the circumstances was the reaction of the public.

Q. Now, sir, Mr. Cooper asked you this with reference to the next paragraph on page 9 -- let me say this to you first; you answered one question that this was the only trap from which you were not free; in passenger service you were wholly free to increase your rates, which you were not in the grain.

A. What I said was we were free to make application.

Q. Yes, I am sorry. But, of course, there is not much freedom in that?

A. Not much freedom?

Q. There wouldn't be much point in applying for an increase when you are already losing money at the present?

A. That is inverse logic, isn't it; if we are losing money in the service and then we were to apply for an increase, it would seem to me the Board of Transport would regard that as a very major factor justifying our application.

Q. If you are carrying passengers on a big transcontinental railway at a loss, I suggest to you that if you increased your fares you would get less passengers on the train?

A. That is exactly the point; we have to put our fares at a point where we can meet the



competition.

Q. That is my point, that you haven't too much freedom, really, to do anything on those fares, but economics dictate what you can charge?

A. But we are not prevented by law from doing it.

Q. Is that a big difference?

A. Well, I consider it a vital difference, yes.

Q. Does it make much difference to you whether the law says you can't apply or the economics say you can't apply?

A. I think the judgment is flexible because we are free then; if we have tried to do what we can in regard to passenger service and we fail, as we may, then we are free to take other action.

Q. Now, sir, you have answered Mr. Cooper in the next paragraph by saying that the Canadian National does not suggest that the only important and urgent problem facing it is the matter of obtaining a reasonable return for the work expended in handling grain traffic at statutory and related rates. Now, as I understand your answer to Mr. Cooper you say it is largely answered in the next sentence. Can I ask you this; is the branch line operation another important and urgent problem facing the railways?

A. I think I was asked that question, and it is a matter of degree as to what you consider is important. Any question affecting the operations,



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from my point of view, is an important one, but the branch line problem is not a great big problem, it is a problem we are working on and I think there is some money in it, but I wouldn't say that it is wildly bad or nearly as bad as it was in the thirties when there was great over-extension of the branch lines.

Q. In regard to the issue of the deficits you have been referring to, while there is a proportion of that -- according to your figures -- that refers to grain, there must be other big problems with the rest of the deficits?

A. That is quite correct, and I am glad you raised that point because what I realize I didn't bring out in my presentation here is that we quite regard our existing deficit as a transitional period representing very high capital expenditures for a short period of time, and it is our hope and expectation that when we get these expenditures completed we will be able to very much improve our position. Our major trouble is that we have had to finance the major portion of our capital expenditures in the form of interest-bearing debt.

Q. I am not trying to be critical, but I am interested for my client in what you as the manager and president of this railway have to say about the national interest. There are other periodical pressures, plus the branch line operations and I suggest to you that some of those are mainly serving unproductive areas that are not paying properly but are in the national interest to have a



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railway service them?

A. Quite so, and that criterion is used always by the Board of Transport. The Board of Transport Commissioners will use the language, as I recall it, that the burden upon the railway is not so much as it would be for public inconvenience, and therefore in cases they will refuse the application.

Q. And I think you and I will agree it may be quite proper and in the national interest to have these unproductive areas served by the railway?

A. Yes.

Q. Am I right about this branch line service, either passenger or -- I suppose it is chiefly passenger -- if the railway companies can exercise their own judgment by refusing that type of service?

A. On what kind?

Q. Say, on branch line passenger trains.

A. No, we have to get permission to abandon a service once we have installed it. We are not under an obligation to provide the service, but I am not a lawyer and you can probably trip me up on that.

Q. I will not trip you up.

A. But my understanding generally is that we are not under obligation to initiate the service, but having once provided that service we have to get the permission of the Board of Transport to abandon. Is that generally right, Mr. McDonald?

MR. McDONALD: Yes.

THE WITNESS: I am doing better than I



thought.

Q. . . It was well done, sir; but it wasn't quite my question. My question was, to cut that service down you will have to go before the Board? You do if you want to abandon it?

A. I see your point. We could reduce the quality of the service, we could put in a mixed train and abandon the solely passenger train.

Q. And as you pointed out, to abandon a service you have to have permission from the Board. Do you find in your company that when such applications are made in that type of cutting down of service, that there is response from the citizens of that area?

A. Quite so, yes, and this, a I have said in my brief, will be dealt with.

Incidentally, they have nothing to do with the rates on statutory grain; when we are before the Board of Transport they deal with branch lines and extra services, extra services in terms of passengers, and that is what we are asking to do here.

Q. On your passenger service, is there anything being done that you know of to discontinue the use of passes on some of those trains, and I am thinking particularly of the secondary trains, or are they permissible?

A. I can't remember any specific application, but we -- that is more or less a matter of managerial judgment, to ask for passes; members of parliament to be abolished!

Q. Thank you, sir. So, there are some



passes that are in the national interest; you have to take some free-loaders in the national interest?

A. Right. You are defining the national interest there!

Q. Now, Mr. Gordon, I am sure you were here this morning and you heard some comments that some people felt the railway presentation may be restricted just to one type; when is this, in your view, or when do you expect that the railways will come to the general portion of the matters here?

MR. McDONALD: That will be up to the Commission to ask that; we have to see what the time table is and there are the sittings in the west and they will let us know when they are coming back here and when the briefs will be on.

Q. Now, Mr. Gordon, it was said this morning that they would meet every case; do I take it that there will be a voluntary presentation on these other matters by the railways, or only if they are directed by the Commission?

A. Voluntarily; we will deal with branch lines, for example.

Q. Now, Mr. Gordon, down on page 10 I read this sentence, "Such additional recompense should be by means of a payment equal to the difference between the revenue obtained under the statutory and related rates and the amount found to be a just and reasonable level of return." Are you talking of rate return there?

A. I am talking about compensation.



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Q. In payment of the railway?

A. Overall compensation.

MR. MacKIMMIE: Thank you, Mr. Gordon. Thank you, Mr. Chairman.

MR. ANSCOMB: Will you just elucidate this for me. During the course of your address at some point you said, "We are seeing what degree of cooperation we can get from our employees." Then, later on you said that you lost \$50 million, and while you have not lost \$50 million this year, you indicated it is going along pretty good. Now, there is a certain section of your employees who are asking for a very large increase. I am not here to discuss wages with you, I want you to elucidate what you mean by degree of cooperation, for the benefit of the record.



THE WITNESS: Mr. Commissioner, the reference I think was during a question Mr. Cooper asked in respect of what we had done to encourage the passenger service, and I said in connection with that we had conducted this campaign for group travel and generally advertising in an effort to get back from the private automobiles the people to travel on the trains. We did have discussions with our various union officials representing the different employees on our passenger trains, and we issued, for instance, -- this has just been handed to me, and it is typical -- a statement which says that it is up to all of us, and it is signed by myself and the vice-president in charge of operations. If you care to read it you can see what we said. We endeavoured to obtain from the employees an assurance of their co-operation. This was reproduced in the magazines of our employees, and we have had enthusiastic co-operation, I might say, in convincing and lecturing the employees on the trains that it is up to them to give such attention and service to our passengers that would remove a lot of complaints which we had been getting in regard to indifferent service.

COMMISSIONER ANSCOMB: Thank you.

COMMISSIONER GOBEIL: Mr. Gordon, on page 10 in the third paragraph you mention that the railways should be reimbursed for at least the cost of the work performed. Does that mean that is all the railway is looking for, or asking for?



THE WITNESS: No, sir. I specifically used the words "at least". We feel, as I said earlier in some place, we should have a margin of profit.

COMMISSIONER GOBEIL: Yes, you said on page 9 that you want a reasonable margin above such cost.

THE WITNESS: Yes, a reasonable margin above such cost. Here I am saying there is the very minimum. As we said in our submission of October 15, we should get at least the cost, but we feel we also should get a recognized margin of profit.

COMMISSIONER GOBEIL: Could you comment on what you understand to be a reasonable margin above --

THE WITNESS: Mr. Commissioner, it would be more appropriate to leave that to the experts who are going to present this cost study. They have the figures and everything, and can do it much more intelligently than I can do it.

COMMISSIONER MANN: To some extent the Canadian National and the Canadian Pacific are in agreement as regards the Crow's Nest Pass rates, but there is a divergence in regard to the methods suggested for reimbursement. The Canadian Pacific suggests some relief by way of the Income Tax Act, and the Canadian National suggests they should be paid in cash for their services. Now, on page 11 of the precis which you have been good enough to read into the record you say that the method suggested by the Canadian National is the best method, implying,



of course, that the Canadian Pacific method is not the best method. I am wondering whether in a general way you would care to indicate to us why you make that statement.

THE WITNESS: Yes, sir. That is a very delicate question, and in the hope that it might be asked I fortified myself by preparing a statement, and with your permission I would like to read it. I thought it might save your time and also enable me to do it in a more coherent fashion.

The Canadian Pacific Railway in a separate submission --

MR. MACDOUGALL: Perhaps it would be helpful to the Commission if we were to file copies of the statement.

THE WITNESS: Have you copies, because this is my private document?

MR. MACDOUGALL: I thought it advisable to make a few extra copies.

THE ACTING CHAIRMAN: Before anybody leaves I might mention that tomorrow being a Saturday we will sit only half a day. We will come here at 9 o'clock and sit until 12, and take the afternoon off. Mr. Gordon, it is now a quarter to five. Are you going to be available tomorrow morning?

MR. MACDOUGALL: Yes, Mr. Gordon will be here tomorrow morning.

THE ACTING CHAIRMAN: Then, I think we had better adjourn because by the time we go through this document it will be after 5 o'clock.



MR. DOHERTY: Mr. Chairman, before we adjourn could we have an indication of the procedure tomorrow morning?

THE ACTING CHAIRMAN: Tomorrow morning Mr. Gordon will conclude his evidence, and then we will have the reply to Mr. Sinclair and Mr. Macdougall from counsel for the provinces, and after that we will play it by ear.

MR. MACDOUGALL: Mr. Chairman, before you close may I make a comment here? This statement which Mr. Gordon is going to give to you I have distributed now thinking that Mr. Gordon was going to speak to it tonight. I have also given copies to the press. If Mr. Gordon is not going to speak to this matter tonight would you instruct the press --

THE ACTING CHAIRMAN: Could we file it now?

MR. MACDOUGALL: I would prefer not to have it reported anywhere at all until it is dealt with.

THE ACTING CHAIRMAN: Yes. I direct the press not to print it at all.

MR. COOPER: Could the railways indicate who is to be called next?

MR. SINCLAIR: As presently advised -- counsel must be left some freedom as to how their case should be put in, I think -- the next witness will deal with the memorandum in respect of the history of statutory and related grain rates, which is the precis headed: "Canadian Pacific Railway Company. Memorandum in respect of the statutory and



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related grain rates". I hope that assists my friends.

MR. COOPER: Who will the witness be Mr. Sinclair?

MR. SINCLAIR: My, my! This is just stepping right along, is it not? The witness will be the man who prepared the precis. He will be a competent witness.

THE ACTING CHAIRMAN: We will now adjourn.

--- Whereupon the Commission adjourned at 4.45 p.m. until 9 a.m., Saturday, 5th December, 1959.

